JABE

JOURNAL OF ACCOUNTING AND BUSINESS EDUCATION
P-ISSN 2528-7281 E-ISSN 2528-729X
E-mail: jabe.journal@um.ac.id
http://journal2.um.ac.id/index.php/jabe/

Challenges in the Implementation of Government Budgets: A Case Study of Indonesian Local Governance

Victor Pattiasina[1]
Muhamad Yamin Noch[2]
Mohamad Ridwan Rumasukun[3]
Lailatul Hijrah[4]
Muhammad Ikbal[5]
Eduard Yohannis Tamaela[6]
[1-3] Accounting Department, Faculty of Economic and Bussines, Universitas Yapis Papua, Indonesia
[4-5] Accounting Department, Faculty of Economic and Bussines, Universitas Mulawarman, Indonesia
[6] STIA Said Perintah, Indonesia
email: eduardtamaela58@gmail.com

DOI: *http://dx.doi.org/10.26675/jabe.v8i1.37734*

Abstract: Budget execution stands as a pivotal concern for Indonesian local governments in the present day, holding significance within a specific timeframe. Our study anticipates diverse factors contributing to budget absorption by Indonesian local governments. Through causal research, our objective was to analyze how the independent variables casually influenced the other variables. The study population comprised 34 Indonesian provincial governments across Indonesia. The data were collected from the Regional Financial Management Office of each province, including the Offices, Agencies, Secretariats, and Inspectorates. Employing a purposive sampling technique, we have selected the samples based on specific criteria. Noteworthy regulations along with well-organized and systematic Budget Planning served as the primary driving forces behind government's budget absorption. Hence, these two factors acted as potent catalysts, promoting optimal budget absorption for developmental pursuit. This alignment reflected the concerted effort to enhance community's quality of life.

Article History
Received:
4 May 2023

Revised:
1 September 2023

Accepted:
2 September 2023

Keywords
Regulations, Budget Planning, Political Budgetary, Human Resources, Budget Absorption.

Citation: Pattiasina. et al, (2023). Challenges in the Implementation of Government Budgets: A Case Study of Indonesian Local Governance. *Journal of Accounting and Business Education, 8*(1). 40-51

INTRODUCTION

Budget absorption in the public sector or local governance holds a significant gravity in Indonesia. A recurring phenomenon observed during the initial half of each fiscal year is characterized by notably low budget absorption. The sluggish absorption rate contributes to a delayed pace of public spending, thereby influencing the prompt fulfillment of community needs and impending infrastructure development. This is further compounded by hindrances in public services (Alam et al., 2022). However, a frequent occurrence is the accelerated absorption of funds towards the culmination of the fiscal year. Typically concentrated within the final three months, this practice invariably obstructs community development. The prevalence of an outdated budget planning system coupled with influential political factors causes numerous instances of budget absorption failures or delays. Moreover, less competent budget drafters, compounded by complicated regulatory system underlying budgetary matters, aggravates this challenge (Amirkhani et al., 2019; Seeber & Lepori, 2017).

Failure to attain the budget implementation target exerts a significant impact on budget benefits (Nguyen et al., 2019) This outcome leads to the government's inability to maximize the utilization of idle funds (Jalali Aliabadi et al., 2019), thereby creating surplus funds. Ineffectual budget allocation aggravates the issue, impending the optimal distribution of limited financial resources to support government's strategic initiatives (da Silva Craveiro & Albano, 2017; Nguyen et al., 2018). Indonesia currently struggles with constrained state revenue, compelling the government to prioritize specific programs in order to meet predefined objectives. This dynamic subsequently results in inefficient and ineffective budget allocations by both the Indonesian central government and local governments.

The achievement of the Provincial Government's Budget absorption in Indonesia during the second quarter of 2019 reached an average of only 41.26 percent, leaving 69.74 percent of the budget ceiling unutilized. While the total achievement improved from the preceding year's second-quarter absorption rate of 26.35 percent, it still fell short of the target budget absorption of 75 percent. As for the performance of the Provincial Government's APBD throughout the 2019 fiscal year, by the end of the fiscal year, the achievement in budget absorption had reached 92.85 percent. However, falling short of the 100 percent budget absorption target underscores the existence of unabsorbed funds. The challenge of low budget absorption significantly influences the government's financial management. Numerous claims by local government administrators attribute the low absorption in the latter half of each fiscal year to various factors. Various studies underscore that such limited budget absorption detrimentally affects economic growth (Abebe et al., 2021; Mowlaei, 2018). The budgeting process holds paramount importance in facilitating the implementation of community-centric developmental programs, which ultimately yield positive impacts on both economic growth and community welfare.

Numerous researchers, such as (Ahrens et al., 2018; Callister et al., 2015), have expressed deep concern regarding the discussion of low budget absorption, which is an inherently captivating topic for regional development. Their collective research asserts that budget overruns yield negative effects on budget absorption, while the duration of the budgeting period does not influence the budget execution process. The state budget closely intertwines with regulations at both central and regional levels, whereby substantial regulatory shifts can cast shadow over the budgeting process, subsequently influencing its implementation. This phenomenon is evident across diverse cases in numerous countries, encompassing both developed and developing countries (Jalali Aliabadi et al., 2019).

Political interests are intricately linked to budget implementation. When budget implementation does not align with political compromise, it fails to adhere to the priorities previously agreed upon by political actors. Consequently, this misalignment can impede the timely execution of work programs by the executives. Political compromises that lack compatibility between the legislature and the executive can act as hindrances to effective budget implementation (Jean, 2019). Governments at various levels, including both central and local governments, have devised systematic budget plans ranging from sub-district and village to district and provincial levels. As planning complexity escalates, it inevitably streamlines the budget implementation process, refining programs and work plans through the selection of various pre-implemented programs. This approach aims to accelerate the achievement of program goals within stipulated timeframes (Alsharari, 2020; Kwarteng, 2018). Budget absorption remains an enduring concern within governance, bearing adverse implications for regional development. Consequently, we emphasize the importance of addressing this issue, thereby updating the discourse surrounding budget absorption within the realm of government administration.

We examined a range of factors influencing the absorption of local government budgets in Indonesia. A new aspect we addressed pertained to the regulatory landscape and budgeting mechanisms, integral element contributing to the deceleration of budget implementation. Subsequent section will describe the theoretical framework underlying this research, specifically agency theory, which in turns supports the development of hypotheses. The next section outlines the methodologies employed, encompassing variable measurement, followed by presentation of results and discussion that validate the hypotheses. Finally, our study concludes by drawing pertinent inferences.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Agency Theory in Budgeting

The agency theory explains the occurrence of agency relationships when one or more parties (principals) enlist the services of another party (agents) to delegate responsibilities (Kenno et al., 2018). The distribution of rights and responsibilities between the principal and agent is formalized within a mutually agreed upon agreement (contract). Central to the agency theory is the assumption of human rationality and the pursuit of utility maximization (Turner & Coote, 2018). Within our study, the agency theory serves to explain the dynamics of superior-subordinate relationship within the budgeting process, particularly evident when subordinates formulate budget target that subsequently influence budget execution. This theory explains the phenomenon of superior-subordinate relationships in budgeting, particularly in instances where subordinates establish attainable budget targets (Wagner et al., 2021).

Based on the agency theory, the engagement of subordinates in budgeting exerts an influence on the stipulated budget targets. This implies that subordinates possess an increased potential to incorporate budget slack, aiming to expedite the achievement of these designated budget targets (Yuhertiana & Fatun, 2020). Within the framework of the agency theory, the analysis centers on contractual arrangements involving two or more individuals, groups, or organizations. In this context, one party (the principal) establishes a contract, whether implicitly or explicitly, with another party (the agent), with the expectation that the agent will fulfill the tasks in accordance with the principal's intentions.

Several significant developments within the government budgeting system include the recurrent phenomenon of slow budget absorption at the beginning of each fiscal year (Brown et al., 2009). According to the agency theory, a notable dynamic emerges wherein the agent, in this instance the government administrator, indicates a certain inclination to prioritize serving the principal, namely the community. However, this scenario gives rise to a gap that subsequently delays the provisions of services to the principal. Indications point towards instances where agents prioritize their personal interests over those of the public, who serve as the principals. Instances of contractual breaches of this nature can significantly disrupt developmental stability, subsequently impending the enhancement of community welfare. The agency theory effectively explains this phenomenon as a divergence of interests, characterized as a breach of the agent's obligations in fulfilling the needs of the principal, which, in this context, is society (Guilding, 2003).

The agency theory, in particular, elucidates the intricate involvement of agents within the budgeting process. These agents ardently endeavor to fulfill the interests of budget preparers, aiming to attain budget targets. Their pursuit of achievements and bonuses by the budget cycle's conclusion can overshadow a paramount consideration – the welfare of the community, especially in vital domains like basic needs, healthcare, education, and infrastructure, vital for people's income augmentation (Song et al., 2015). The ramifications of delayed budget absorption reverberate extensively, hindering developmental trajectories and influencing society at large. Such delays lead to postponed fulfillment of basic and formidable obstacles in addressing infrastructure requisites. Violating this implicit contract fundamentally conflicts with the core principle of serving the community (Brown et al., 2009).

The presence of agency theory significantly aids in clarifying contractual arrangements between agents and principals, most notably, between the government and the populace – the true custodians of the nation. It is imperative for the government to recognize that swift budget implementation is pivotal in expeditiously fulfilling the community's needs while circumventing extended implementing timelines. The repercussions of governmental negligence in budget execution are vast, as underscored by (Song et al., 2015). The issue is often recurrent at the beginning of budget cycle; it is vital to rectify this concern to prevent its recurrence in the future.

Stakeholder Theory

The basic principle of stakeholder theory posits that a company is not an isolated entity functioning solely for its internal interests, but it bears an obligation to provide value to a multitude of parties vested in the company's affairs, commonly referred to as stakeholders. These stakeholders encompass a diverse range of entities, including creditors, suppliers, shareholders, consumers, local communities, governmental bodies, and other interconnected entities. The central premise stakeholder theory asserts that corporate responsibility transcends the sole pursuit of maximizing returns for shareholders, traditionally known as "shareholders." Instead, it encompasses the imperative of generating benefits that extends to society, the social environment, and the government, all of which collective constitute "stakeholders."

The essence of stakeholder theory underscores the pivotal role that stakeholders play in ensuring the continuity of a company's operations. This significance arises from stakeholders' capacity to influence and control the resources essential for the company's sustained functioning. Consequently, companies are impelled to establish and maintain good relationships with stakeholders or parties demonstrating vested interest. This emphasis is particularly pronounced for parties that wield substantial power over resources integral to the company's operations, encompassing labor, customers, and proprietors. Companies endeavor to establish and maintain good relationships with stakeholders, actively addressing their desires and needs. One tangible manifestation of these efforts is the dissemination of sustainability reports (Hörisch et al., 2020). These reports serve as comprehensive documents offering transparent insight into the company's stance and activities across economic, environmental and social dimensions. Through the lens of the sustainability report, stakeholders gain a lucid understanding of the company's performance, enabling informed assessment. This transparently significantly influences stakeholders' decision to contribute to the company's endeavors.

Regulations on Budget Absorption

Regulations play an indispensable role in governing the process of budget absorption within the public domain. Official regulations function as guiding principles that must be adhered to and executed while managing various public organizations, spanning governmental bodies, political entities, foundations, NGOs, religious organizations, and other institutions operating in the purview of the rule of law (MacNeil et al., 2019). Frequently, discrepancies arise between regulations and the implementation of budgeting processes. These challenges are often linked to conflicts stemming from the intersection of central government regulations and local government regulations, where rapid and frequent regulatory changes result in sluggish and hindered budget absorption.

A prevalent issue that arises in the delayed implementation of budget revolves around complex regulations. These complications emerge due to the comprehensive nature of central government regulations, which inadvertently create significant obstacles for budget implementers. These challenges encompass budget preparation, regulations governing budget implementation, and regulations dictating budget accountability (Kurunmäki & Miller, 2011). The spectrum of obstacles is quite diverse and includes issues such as regulatory overlaps, impractical rules, regulations misaligned with regional conditions, multi-interpretational regulations, and intricate-to-implement rules. These obstacles collective contribute to the sluggish pace of budget absorption within various regions.

These findings are in tandem with the conclusions drawn by Ardanaz et al., (2021), who affirm that regulatory factors indeed exert an impact on budget absorption. However, a different perspective is presented by Srinivas et al., (2019), whose research asserts that regulation does not significantly influence budget absorption. Given the inconsistency in existing research results, this research seeks to reevaluate the relationship between regulation and budget absorption. The primary objective is to ascertain whether regulation indeed holds a substantive influence on the process of on budget absorption. Therefore, the hypothesis for this study is formulated as follows:

Hypothesis 1: Regulation positively influences budget absorption

Budgetary Politics on Budget Absorption

Government universally operates with budgets that serve as instrumental tools for executing programmatic priorities catering to specific and overarching organizational needs. A budget's allocation facilitates the realization of programmatic financial necessities. In the realm of public sector organizations, a budget simultaneously functions as a political instrument for regional leaders. These leaders are bound by their commitment to uphold agreements forged between the executive and the legislature, forming the basis for utilizing public funds in advancing community development (Custers et al., 2018).

The political system in Indonesia has undoubtedly turned budget negotiations into a strategic game between the legislative and the executive branches. The role of legislators in budget execution is of paramount importance. Indonesian regulations offer significant leeway for the legislature to actively engage in the budgeting process. Members of the legislature are vested with the authority to contribute to the budget's preparation and to supervise its implementation. In principle, the legislature's responsibility primarily involves supervising the budget execution. However, the practical scenario reveals that numerous political motives held by legislators influence the jointly formulated budget. Consequently, this dynamics leads to budget implementation challenges, including prolonged negotiations during the budget's formulation stage for both parties involved (Ashaye & Irani, 2019).

If the budget implementation is not aligned with the political interests or the proposed allocation does not prioritize mutually agreed-upon objectives, it can indirectly hinder the progress of activities and work programs. This highlights the undeniable positive influence of budgetary politics on budget absorption. When budgetary proposals align with political requirements, achieving optimal budget absorption becomes more feasible. This is due to the alignment of government-proposed budgets with mutually and executive-approved priorities. The research conducted by Ashaye and Irani (2019) uncovered a positive correlation between budgetary politics and budget absorption. In contrast, the findings of Mauro et al., (2021) suggested that budgetary politics did not wield a comprehensive influence on budget absorption. Given the divergent outcomes of existing research, a fresh examination was undertaken to reassess the influence of budgetary politics on budget absorption. Thus, the hypothesis can be formulated as follows:

Hypothesis 2: Budgetary politics positively influences budget absorption

Budget Planning on Budget Absorption

In every organizational context, the translation of goals into a well-organized budget plan provides a streamlined pathway towards achieving performance targets aligned with the organization's vision and mission (Mauro et al., 2021). Attaining organizational goals requires proactive management that engages in thorough planning and implementation, ensuring the realization of set goals and objectives. The effectiveness of planning and implementation becomes evident when the stages designed to achieve these goals and objectives are executed with minimal deviation and yield optimal outcomes (Khan et al., 2021).

Effective budget planning requires the active participation of all stakeholders, including those responsible for budget preparation, supervision, and implementation. With good and accurate planning, the process of achieving and implementing the budget becomes smoother, as everything has been meticulously prepared and formulated within a well-defined framework. Budget planning serves as a catalyst for fostering accountability among parties involved, driving swift budget implementation to fulfill the terms of budget agreement. This perspective aligns with agency theory, wherein the government, functioning as an agent, is bound to expedite budget implementation for betterment of the community (Hansen & Van der Stede, 2004).

However, there are instances where the government makes errors in the allocation of human resources. Many individuals find themselves assigned to roles that do not align with their educational backgrounds. Such occurrences often lead to disruption in the budget execution process. Political motivations hold considerable sway in in the allocation of human resources, as leaders frequently prioritize individuals in their inner circles even if their educational qualifications do not match the responsibilities and functions associated with their positions as government official. This issue undoubtedly presents a substantial hurdle in the budget implementation process (Aad et al., 2019).

In order to accelerate budget absorption, it becomes imperative to enhance the planning phase. This includes refining allocation accuracy and defining activities meticulously, aligning implementation with the established plan for seamless execution. Furthermore, it is crucial to communicate the significance of refining programs and work plans within Regional Apparatus Organizations. This involves carefully selecting activity proposals to ensure that budget allocations are tailored to specific needs, thereby mitigating inefficiency and enhancing the flexibility of Local Government Unit (SKPD) (Baldassarre et al., 2020). A well-organized budget plan substantially streamlines the process of budget implementation. This, in turn, holds implications for financial managers and their role in influencing budget absorption.

Hypothesis 3: Budget Planning positively influences Budget Absorption

Quality of Human Resources on Budget Absorption

Human resources play an indispensable role in the meticulous execution of budget. Competent human resources' competences are pivotal for the efficient preparation, evaluation, implementation, and monitoring of budget plans. Governments dedicate substantial efforts to enhancing the competences of human resources, aligning them with the evolving service needs of the community. HR planning, a recurrent endeavor, must consider the fluctuating demands of budget execution, which inherently change from fiscal year to another. Ensuring the presence of high-quality human resources stands as a central directive of the government, underpinning effective governance and seamless budget implementation, thereby eliminating the prospect of budget execution delays (Vardarlıer, 2016).

Purba and Sari (2022) also confirm that a lack of qualified human resources, spanning management officials and staff alike, can cause delays in budget absorption. This concurs with the notion that heightened human resources correlates positively with an elevated level of budget absorption. In contract, a scarcity of competent human resources can correspondingly lead to subpar budget absorption. Guided by theory, the excellence of human resources within a given work unit significantly influences program and activity execution. Enhanced human resource quality translates to better budget absorption since these individuals comprehend their core duties and responsibilities. In the context of regional financial management, the quality of human resources notably influences the absorption of allocated budgets.

Hypothesis 4: Quality of Human Resources positively influences Budget Absorption.

METHODS

This research falls under the category of causality research, aiming to ascertain the relationships and influences between independent variable and dependent variables (Huntington-Klein, 2021). This research was conducted from November to December 2021, facilitated by online distribution of research instruments. The research's population encompassed 34 provincial governments in Indonesia, with data sourced from the Regional Financial Management Office in each province, comprising Offices, Agencies, Secretariats, and Inspectorates. The sampling technique employed was purposive, involving the selection of samples based on specific criteria. The research relied on primary data collected through a structured questionnaire featuring closed questions presented to respondents for their opinions (Kent, 2020). From the respondent's data above. Within this framework, the research encompassed 34 provinces in Indonesia, each represented by 5 respondents: 1). the Regional Head responsible for regional financial management (PKPKD); 2). the Regional Secretary coordinating regional financial management; 3). the Regional Financial Management Work Unit (SKPKD) embodying the Regional Financial Management Officer (PPKD); 4). the head of the Local Government Unit (SKPD) as the Budget User (PA); and 5. the Treasurer. This culminated in total of 170 respondents.

The research involved a total of 170 respondents, of which 148 participated by responding to the survey distributed through Google Form. Unfortunately, 11 responses were either filled out incorrectly or incompletely, leading to a final dataset of 137 usable responses for statistical analysis. In this research, parametric statistics were utilized as the analytical tool for testing the hypotheses. The measurement of variables was conducted using a 5-point Likert scale, encompassing responses ranging from "Strongly

Disagree" to "Strongly Agree" in relation to the questions associated with each indicator of the variables. The hypotheses were tested through a regression equation incorporating four independent variables: regulation, budgetary politics, budget planning, and human resource quality. The interval data derived from local governments in Indonesia supported the regression equation, forming the foundation for the research's statistical analysis and findings.

RESULTS AND DISCUSSION

The primary objectives of our research is to examine various factors influencing budget absorption, which serves as an indicator of the local government's capacity to execute and account for planned activities. The concept of budget absorption involves the accumulation of funds utilized by each regional apparatus organization within the local government. Enhanced budget absorption, reflecting efficient activity realization, directly correlated with improved public facilities and services accessible to the community. Therefore, it is imperative for local governments to prioritize productive activities to prevent the accumulation of unused funds. Suboptimal budget absorption stands as a hindrance that can lead to a surplus of funds.

In our analysis, we consider organizational variables that serve as predictors for the effectiveness of local government budget absorption. These variables encompass regulations, budgetary politics, budget planning, and human resource quality. The subsequent section will outline the results of the Descriptive Statistical analysis, as well as the findings stemming from primary data collection, featuring responses from 137 respondents within local governments across Indonesia. There were 137 respondents out of the total population of 170 individuals who completed the questioners.

Table 1. Descriptive Statistics

	N	**Min**	**Max**	Mean	**Std. Dev.**
Budget Absorption	137	2.234	3.545	2.889	1.098
Regulation	137	2.434	3.334	2.884	0.324
Budgetary Politics	137	2.656	3.765	3.210	0.345
Budget Planning	137	2.456	3.812	3.134	1.323
HR Quality	137	2.235	3.667	2.951	1.545

Source: Statistical Instrument's Analysis Results, 2023

The descriptive analysis results encompass average values derived from the Likert scale measurements of all indicators for each variable. These results provide insights into the minimum and maximum values, along with the mean each and standard deviation for variable. Based on these results, the average budget absorption rate is deemed moderate, indicating that budget absorption remains relatively low for local governments in Indonesia. Similarly, regulations exhibit an average level, signifying the presence of strong regulations that can impede budget absorption. Conversely, budget politics surpasses the average, implying that political influence bolsters budget absorption in the regions. According to respondent feedback, budget planning adequately contributes to promoting budget absorption, while the quality of human resources remains a hindrance to budget absorption.

The descriptive statistics analysis was conducted on a sample size of 137 respondents (N), each variable yielding distinct results. On average, the budget absorption registered at 2.234, which can be characterized as being above the mean, with a standard deviation of 1.098. Furthermore, respondents' answers for all independent variables surpassed the value of 2.5.

Table 2. Regression Results

Variables	Unstandardized Coefficients		t-statistic	Sig
	Coefficient	St. Error		
Constant	-,254	1,9812		,988
Regulation	,229	,0822	2,786	,023
Budget Politics	,118	1,3258	,089	,879
Budget Planning	,021	0,0065	3,234	,008
HR Quality	,187	0,2127	,879	,234
R-Squared	0,208			
F-Statistic	12,356			
Sig F	0,039			

Source: Statistical Instrument's Analysis Results, 2023

The results presented above indicate an overall significant influence of the independent variables on budget absorption, substantiated by a significant F-value, and a relatively substantial R-square of 20.8%. The analysis results show that the first hypothesis, leading to the conclusion that regulation indeed holds a significant positive influence on budget absorption. The findings suggest that the implementation of regulations within the Regional Government has been executed effectively, thereby influencing budget absorption. This conclusion is supported by the high achievement level of the respondents, which serves as evidence of significant positive influence on budget absorption. These results are consistent with the findings of research by Nguyen et al., (2019), which established a positive and significant correlation between regulations and budget absorption. It can be inferred from these findings that the clarity of regulations from the planning phase to Standard Operating Procedures (SOPs) is significantly related to budget absorption.

This perspective aligns with the insights of Bethlendi et al., (2020), who demonstrated that regulatory factors influence budget absorption. However, these results diverge from the research conducted by Boolaky et al., (2018), which concluded that regulations do not exert an effect on budget absorption. In theory, as proposed by Bös (2015), public regulations are written rules that are mutually agreed upon and must be adhered to in the governance of an organization, particularly within the context of a country. The results of this study conform to the stakeholder theory and agency theory, wherein the local government assumes the role of a mandate recipient and a stakeholder with a definite influence on regional development. Consequently, regulations are formulated by the government to control activities, ensuring that actions taken by budget users within OPD during the budget absorption process are guided by well-established and effectively implemented policies or rules (Boolaky et al., 2018).

Our finding suggests that budgetary politics does not exert a significant influence on the absorption of local government budgets. Responses from the dominant respondents indicate that the budget, formulated by the OPD, adheres to the principles of fairness. However, the notable achievement level among these respondents fails to provide conclusive evidence that budgetary politics directly influences budget absorption. This implies that budgetary politics does not inherently demonstrate whether budget implementation is free from political interests or whether proposed implementation aligns with mutually agreed-upon priorities. Consequently, the influence of budgetary politics on budget absorption remains limited. These findings diverge from the research conducted by Sanjaya and Rizky (2018), which concludes that budgetary politics indeed influences budget absorption. However, this study aligns with the research conducted by Hauriasi et al., (2016), which finds that budgetary politics does not influence budget absorption. By theory, according Krauss et al., (2021), a budget functions as a political instrument, symbolizing both executive commitment and legislative consensus concerning the allocation of public funds for specific objectives. In light of the stakeholder theory, the local government stands as a stakeholder wielding considerable influence over regional development, however, this influence is subject to various political processes. This is due to the necessity for decision-makers to prioritize certain interests over others. Nevertheless, within the scope of this study, the role of budgetary politics does not align with the premises of stakeholder theory.

Our findings indicate a positive correlation between budget planning and budget absorption. The respondents' Achievement Level (TCR) reveals a commendable category, registering at 74.96. These data signify that budget planning has been effectively executed, consequently yielding no disruption to the level of budget absorption. This achievement signifies that budget managers have adeptly executed the planning of work programs/activities for a fiscal year, thereby positioning the attainment of budget absorption targets within reach. Thus, the high level of achievement among respondents substantiates the assertion that budget planning significantly contributes to positive budget absorption outcomes. Within the framework of stakeholder theory, local governments have several stakeholders engaged in interdependent relationships that collectively influence each other’s pursuit of specific objectives. The government, positioned as a stakeholder wielding considerable influence over regional development, maximizes resource utilization to drive development by implementing well-aligned program targets through meticulous planning to facilitate activity implementation. The conclusion drawn reinforces the findings of earlier research by Baldassarre et al., (2020), indicating that enhanced planning directly corresponds to improved budget absorption. Thus, the factor of budget planning indeed bears an impact on budget absorption. However, these findings diverge from the research conducted by Chofreh et al., (2020), which shows that budget planning does not uniformly influence budget absorption. This particularly study posits that budget planning negatively influences budget absorption, leading to diminished performance when carried out by government officials, ultimately resulting in lower levels of budget absorption.

Our findings reveal that human resources do not exert a discernible influence on budget absorption. The Respondents' Achievement Level (RAL) underscores an impressive classification, registering at 83.41% based on the dataset. Notably, the dominant indicators among human resources lies in their proficiency, reflecting their adeptness in fulfilling their designated roles. This characteristic stands as a distinctive advantage for government organizations, contributing to enhanced performance in goal achievement. However, despite the high achievement level among respondents, it fails to confirm that organizational members or human resources significantly influence budget absorption. Surprisingly, the findings contradict the tenets of human resources within stakeholder theory. According to this framework, the government, positioned as a stakeholder, encompasses human resources that operate within specialized competencies and distinct divisions of labor. This harmonious specialization is expected to drive achievement of planned objectives.

CONCLUSION

It is evident that the government, as the recipient of the mandate (agent), plays a crucial role in advancing the region and enhancing the welfare of the people (principal). The government’s stakeholder status underscores its vested interest in regional development. Through judicious utilization of existing resources, the government strives to propel development to its maximum potential. This is achieved by meticulously implementing targeted programs through optimal planning, thereby streamlining activity implementation. The imperative for the government lies in orchestrating development in an optimal manner that harmonizes with the improvement of people's living standards. The trajectory of regional progress and endeavors to enhance people's quality of life is encapsulated in government’s adept management of regional budgets, catalyzing urban growth. By engaging collaboratively with the community, the government leverages its authority, services, and adept problem-solving strategies within local contexts. Local governments in Indonesia wield the potential to employ budget effectively and with value, thereby achieving the effective utilization of resources to yield the desired outcomes.

The findings underscore the government’s potential to uphold regulatory compliance, strategize budget planning to optimize public output, efficiently manage personnel competence, preserve the bureaucratic environment’s integrity, and display commitment to implementing budget policies that prioritize the well-being of the populace. Strong regulations and well-organized and systematic Budget

Planning emerge as primary catalysts driving government budget absorption. These two factors significantly encourage budget absorption, effectively fueling developmental pursuits aligned with community's quality of life enhancement. It is crucial to acknowledge the study's limitations, particularly regarding sampling. The absence of random sampling and reliance on specific criteria limit the generalizability of results, thereby not all work units of local governments can get information on budget execution. Furthermore, constraints encompass the study's brief implementation timeframe, modest coefficient of determination, and connections to external factors, including social and cultural factors. To address these limitations, future research endeavors may explore the inclusion of social and cultural factors, as well as the engagement of stakeholders as predictor variables.

REFERENCES

Aad, G., Abbott, B., Abbott, D. C., Abud, A. A., Abeling, K., Abhayasinghe, D., Abidi, S., AbouZeid, O., Abraham, N., & Abramowicz, H. (2019). Search for high-mass dilepton resonances using 139 fb−1 of pp collision data collected at s= 13 TeV with the ATLAS detector. *Physics Letters B*, *796*, 68-87.

Abebe, H., Shitu, S., & Mose, A. (2021). Understanding of COVID-19 vaccine knowledge, attitude, acceptance, and determinates of COVID-19 vaccine acceptance among adult population in Ethiopia. *Infection and drug resistance*, 2015-2025.

Ahrens, T., Ferry, L., & Khalifa, R. (2018). The hybridising of financial and service expertise in English local authority budget control: a practice perspective. *Qualitative Research in Accounting & Management*.

Alam, M. M., Sadekin, M. N., & Saha, S. K. (2022). The impact of macroeconomic variables on the budget deficit in Bangladesh: an econometric analysis. *South Asian Journal of Business Studies*, *11*(2), 216-234.

Alsharari, N. M. (2020). Accounting changes and beyond budgeting principles (BBP) in the public sector: institutional isomorphism. *International journal of public sector management*, *33*(2/3), 165-189.

Amirkhani, T., Aghaz, A., & Sheikh, A. (2019). An implementation model of performance-based budgeting: Evidence from the Iranian healthcare sector. *International Journal of Productivity and Performance Management*, *69*(2), 382-404.

Ardanaz, M., Cavallo, E., Izquierdo, A., & Puig, J. (2021). Growth-friendly fiscal rules? Safeguarding public investment from budget cuts through fiscal rule design. *Journal of International Money and Finance*, *111*, 102319.

Ashaye, O. R., & Irani, Z. (2019). The role of stakeholders in the effective use of e-government resources in public services. *International Journal of Information Management*, *49*, 253-270.

Baldassarre, B., Konietzko, J., Brown, P., Calabretta, G., Bocken, N., Karpen, I. O., & Hultink, E. J. (2020). Addressing the design-implementation gap of sustainable business models by prototyping: A tool for planning and executing small-scale pilots. *Journal of Cleaner Production*, *255*, 120295.

Bethlendi, A., Lentner, C., & Nagy, L. (2020). The issue of sustainability in a highly centrally regulated fiscal model of local governments: an empirical study. *Accounting Research Journal*, *33*(6), 669-689.

Boolaky, P. K., Mirosea, N., & Singh, K. (2018). On the regulatory changes in government accounting development in Indonesia: A chronology from colonisation and post-colonisation era. *Journal of Accounting in Emerging Economies*, *8*(3), 387-411.

Bös, D. (2015). *Pricing and price regulation: an economic theory for public enterprises and public utilities*. Elsevier.

Brown, J. L., Evans III, J. H., & Moser, D. V. (2009). Agency theory and participative budgeting experiments. *Journal of management accounting research*, *21*(1), 317-345.

Callister, M., Baldwin, D., Akram, A., Barnard, S., Cane, P., Draffan, J., Franks, K., Gleeson, F., Graham, R., & Malhotra, P. (2015). British Thoracic Society guidelines for the investigation and management of pulmonary nodules: accredited by NICE. *Thorax*, *70*(Suppl 2), ii1-ii54.

Chofreh, A. G., Goni, F. A., Klemeš, J. J., Malik, M. N., & Khan, H. H. (2020). Development of guidelines for the implementation of sustainable enterprise resource planning systems. *Journal of Cleaner Production*, *244*, 118655.

Custers, B., Dechesne, F., Sears, A. M., Tani, T., & Van der Hof, S. (2018). A comparison of data protection legislation and policies across the EU. *Computer Law & Security Review*, *34*(2), 234-243.

da Silva Craveiro, G., & Albano, C. (2017). Open data intermediaries: coproduction in budget transparency. *Transforming Government: People, Process and Policy*, *11*(1), 119-131.

Guilding, C. (2003). Hotel owner/operator structures: implications for capital budgeting process. *Management Accounting Research*, *14*(3), 179-199.

Hansen, S. C., & Van der Stede, W. A. (2004). Multiple facets of budgeting: an exploratory analysis. *Management Accounting Research*, *15*(4), 415-439.

Hauriasi, A., Van-Peursem, K., & Davey, H. (2016). Budget processes in the Anglican Church of Melanesia: an emergent ethnic identity. *Accounting, Auditing & Accountability Journal*.

Hörisch, J., Schaltegger, S., & Freeman, R. E. (2020). Integrating stakeholder theory and sustainability accounting: A conceptual synthesis. *Journal of Cleaner Production*, *275*. https://doi.org/10.1016/j.jclepro.2020.124097.

Huntington-Klein, N. (2021). *The effect: An introduction to research design and causality*. CRC Press.

Jalali Aliabadi, F., Mashayekhi, B., & Gal, G. (2019). Budget preparers' perceptions and performance-based budgeting implementation: The case of Iranian public universities and research institutes. *Journal of Public Budgeting, Accounting & Financial Management*, *31*(1), 137-156.

Jean, S. (2019). Leadership and the rule of law in conflict and post-conflict societies: a leadership approach through the sustainable development goals. *International Journal of Public Leadership*, *15*(3), 130-136.

Kenno, S. A., Lau, M. C., & Sainty, B. J. (2018). In search of a theory of budgeting: A literature review. *Accounting perspectives*, *17*(4), 507-553.

Kent, R. (2020). *Data construction and data analysis for survey research*. Bloomsbury Publishing.

Khan, O., Daddi, T., & Iraldo, F. (2021). Sensing, seizing, and reconfiguring: Key capabilities and organizational routines for circular economy implementation. *Journal of Cleaner Production*, *287*, 125565.

Krauss, K. M., Sandäng, A., & Karlsson, E. (2021). Budgeting under public scrutiny: Tracing the justification work of stakeholder groups in the controversy of an Olympic candidature. *Journal of Public Budgeting, Accounting & Financial Management*, *33*(2), 207-233.

Kurunmäki, L., & Miller, P. (2011). Regulatory hybrids: Partnerships, budgeting and modernising government. *Management Accounting Research*, *22*(4), 220-241.

Kwarteng, A. (2018). The impact of budgetary planning on resource allocation: evidence from a developing country. *African Journal of Economic and Management Studies*, *9*(1), 88-100.

MacNeil, M., Koch, M., Kuspinar, A., Juzwishin, D., Lehoux, P., & Stolee, P. (2019). Enabling health technology innovation in Canada: Barriers and facilitators in policy and regulatory processes. *Health Policy*, *123*(2), 203-214.

Mauro, S. G., Cinquini, L., & Pianezzi, D. (2021). New Public Management between reality and illusion: Analysing the validity of performance-based budgeting. *The British Accounting Review*, *53*(6), 100825.

Mowlaei, M. (2018). The impact of foreign capital inflows on economic growth on selected African countries. *African Journal of Economic and Management Studies*.

Nguyen, D. H., Weigel, C., & Hiebl, M. R. (2018). Beyond budgeting: review and research agenda. *Journal of Accounting & Organizational Change*, *14*(3), 314-337.

Nguyen, N. P., Evangelista, F., & Kieu, T. A. (2019). The contingent roles of perceived budget fairness, budget goal commitment and vertical information sharing in driving work performance. *Journal of Asian Business and Economic Studies*, *26*(1), 98-116.

Purba, D. S., & Sari, E. N. (2022). The Effect Of Budget Planning, Human Resource Competence And Organizational Commitment On Budget Absorption In The North Sumatera Regional Police Satker. *Kajian Akuntansi*, *23*(1), 67-89.

Sanjaya, S., & Rizky, M. F. (2018). Analisis Profitabilitas Dalam Menilai Kinerja Keuangan Pada PT. Taspen (Persero) Medan. *KITABAH: Jurnal Akuntansi dan Keuangan Syariah*.

Seeber, M., & Lepori, B. (2017). Budgeting Practices in European Universities. *Managing universities: policy and organizational change from a western European comparative perspective*, 85-105.

Song, J., Wang, R., & Cavusgil, S. T. (2015). State ownership and market orientation in China's public firms: An agency theory perspective. *International Business Review*, *24*(4), 690-699.

Srinivas, J., Das, A. K., & Kumar, N. (2019). Government regulations in cyber security: Framework, standards and recommendations. *Future generation computer systems*, *92*, 178-188.

Turner, M. J., & Coote, L. V. (2018). Incentives and monitoring: impact on the financial and non-financial orientation of capital budgeting. *Meditari accountancy research*.

Vardarlıer, P. (2016). Strategic approach to human resources management during crisis. *Procedia-Social and Behavioral Sciences*, *235*, 463-472.

Wagner, J., Petera, P., Popesko, B., Novák, P., & Šafr, K. (2021). Usefulness of the budget: the mediating effect of participative budgeting and budget-based evaluation and rewarding. *Baltic Journal of Management*, *16*(4), 602-620.

Yuhertiana, I., & Fatun, F. (2020). Performance-based budgeting in public sector and managerial performance with leadership as moderating variable. *International Journal of Service Management and Sustainability*, *5*(1), 177-204.