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The Effect of Budget Politicization and Budget Absorption on Budget Performance in Local Governments of Jambi Province with Budget Commitment as a Moderating Variable

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Abstract: This study aims to analyze the effect of budget politicization and budget absorption on the budget performance of local governments in Jambi Province, with budget commitment as a moderating variable. The study employed a quantitative approach using an explanatory survey method and panel data from regency and municipal governments in Jambi Province during the 2016–2024 period. Data analysis was conducted using Partial Least Square (PLS) with WarpPLS 8.0 software. The results indicate that budget politicization does not significantly affect budget performance, whereas budget absorption significantly influences it. Furthermore, budget commitment does not moderate the effect of budget politicization or budget absorption on local government budget performance. These findings suggest that the effectiveness of budget realization plays a more important role in determining budget performance than political dynamics and budget commitment as a moderating factor. This study contributes to the development of the literature on regional financial management, particularly regarding the relationship between budget politicization, budget absorption, and local government budget performance in Jambi Province.

Keyword: Budget Politicization, Budget Absorption, Budget Performance, Budget Commitment.

INTRODUCTION

Regional financial management is expected to generate optimal budget performance through the effective, efficient, and accountable use of public funds in supporting public services and achieving regional development goals. In the context of regional autonomy and fiscal decentralization, the Regional Revenue and Expenditure Budget (APBD) serve as the primary instrument for local governments in implementing development and public service

functions. Budget performance reflects local governments' ability to manage the entire budgeting cycle consistently to achieve predetermined development targets (Mauro et al., 2021). Therefore, budget management is oriented not only toward the level of budget realization but also toward achieving outputs and outcomes that provide tangible benefits to society (Diamond, 2003a).

From the perspective of Performance-Based Budgeting, successful budget management is strongly influenced by the government's ability to link budget allocations with measurable outcomes (Diamond, 2003a). (Robinson & Last, 2009) explain that performance-based budgeting aims to improve the efficiency of budget allocation by linking government funding to objectively measurable performance outcomes. Performance-based budgeting also emphasizes program implementation effectiveness, public accountability, and development outcomes as key indicators of successful regional financial management (Schick, 2003). Consequently, budget absorption is an important indicator of local government budget performance quality. Effective budget absorption reflects the ability of local governments to realize programs and activities in accordance with the plans established in the APBD. The budget absorption rate is also often used as an indicator of the government's ability to implement development programs and account for the effective use of public resources (Andriati, 2019). Conversely, low budget absorption may hinder program implementation and reduce the effectiveness of achieving regional development targets.

However, empirical evidence indicates that there remains a gap between budget planning and spending realization. One of the causes is that the regional budgeting process is not entirely technocratic but is also influenced by political dynamics between the executive and legislative branches (Mahardini & Setiawan, 2022). From the perspective of Agency Theory, this condition reflects conflicts of interest between local governments as agents and society as the principal. Such conflicts of interest may encourage budget politicization, namely the use of budgetary authority to serve political interests rather than broader public interests. Politicization in public budgeting often arises due to electoral interests and political competition that influence regional government spending priorities (Alesina & Perotti, 1996). Research on the political budget cycle shows that political actors tend to utilize fiscal and budgetary instruments to gain political support in the run-up to certain election periods (Schneider, 2010). This situation can shift budget priorities from development needs to short-term political interests, potentially reducing the quality of local government budget performance (Keefer & Khemani, 2005). However, the existence of strong fiscal regulations can reduce the potential for political budget cycles and limit the use of budgets for short-term political interests (Gootjes et al., 2021).

The phenomenon of Fluctuating budget absorption and varying political configurations can be observed in regency and municipal governments in Jambi Province during the 2016-2020 period. Based on data from the Budget Realization Reports (LRA), the average budget realization of local governments in Jambi Province reached 0.91, with the highest value of 0.97 in 2017 and the lowest value of 0.84 in 2020. Several regions showed relatively low budget absorption, such as Bungo Regency at 0.70 in 2019 and Jambi City at 0.75 in 2020. On the other hand, differences in the level of political dominance within regional legislative councils (DPRD) were also identified, where Jambi City, East Tanjung Jabung Regency, Sarolangun Regency, and Tebo Regency exhibited relatively high political dominance compared to other regions. These conditions indicate that low budget absorption may hinder program implementation and the achievement of development targets, while high political dominance may increase the risk of budget politicization in regional budget decision-making processes.

To reduce the negative effects of budget politicization and maintain implementation effectiveness, strong budget commitment from local government officials is required. Budget

commitment reflects the consistency, integrity, and seriousness of officials in implementing the budget according to established objectives (Fajriar & Khoirunurrofik, 2025). In Goal-Setting Theory, (Locke & Latham, 2019) explain that specific and challenging goals can improve performance when individuals are committed to those goals. Goal-Setting Theory also emphasizes that commitment to organizational goals is an important factor influencing individual and organizational performance achievement (Locke & Latham, 2002). Therefore, strong budget commitment may encourage government officials to remain focused on achieving organizational targets despite political pressures within the budgeting process. Budget commitment is also expected to weaken the negative impact of budget politicization and strengthen the positive effect of budget absorption on local government budget performance.

Previous studies have produced inconsistent findings regarding the effect of budget absorption on local government budget performance. Some studies found that budget absorption positively affects budget performance, while others reported inconsistent results. In addition, studies specifically examining budget politicization as a factor affecting local government budget performance remain relatively limited. Most previous studies have focused more on the technical aspects of budget management rather than political dynamics within the regional budgeting process. Therefore, this study aims to analyze the effect of budget politicization and budget absorption on local government budget performance in Jambi Province, with budget commitment as a moderate variable. The novelty of this study lies in several important aspects. First, it specifically examines the moderating role of budget commitment in the relationship between budget politicization and budget absorption on budget performance, which has not been extensively explored in the context of Indonesian local governments. Second, it employs panel data from 11 local governments in Jambi Province over the 2016-2024 period, capturing longer political and fiscal dynamics (9 years) than previous studies which typically cover only 3-5 years. Third, it combines two dimensions of budget absorption measurement (growth and volatility) to provide a more comprehensive understanding of budget absorption quality, not merely the realization rate. Fourth, the unique political and fiscal characteristics of Jambi Province consisting of 9 regencies and 2 municipalities with varying levels of political dominance offer new empirical contributions to the literature on regional financial management in Indonesia. Based on the theoretical foundation and empirical phenomena described above, the hypotheses of this study are formulated as follows:

1. H1: The Effect of Budget Politicization on Budget Performance

Budget politicization can cause budget allocations to be more oriented toward political interests than community needs. This condition has the potential to reduce the effectiveness of budget use and hinder the achievement of regional development goals. Therefore, budget politicization affects budget performance.

2. H2: The Effect of Budget Absorption on Budget Performance

Budget absorption reflects the ability of local governments to implement planned programs and activities. The higher the level of budget absorption, the greater the chance of achieving development targets and organizational goals. Therefore, budget absorption affects budget performance.

3. H3: The Role of Budget Commitment in Moderating the Effect of Budget Politicization on Budget Performance

High budget commitment encourages government officials to remain focused on achieving organizational goals despite political pressure in the budgeting process. Thus, budget commitment weakens the effect of budget politicization on budget performance.

4. H4: The Role of Budget Commitment in Moderating the Effect of Budget Absorption on Budget Performance

High budget commitment can ensure that budget implementation is carried out effectively and oriented towards achieving predetermined goals. Therefore, budget commitment strengthens the influence of budget absorption on budget performance.

METHOD

This study employed a quantitative approach using an explanatory survey method to examine the effect of budget politicization and budget absorption on budget performance, with budget commitment as a moderating variable. The study utilized panel data from the Regional Revenue and Expenditure Budget (APBD), Local Government Financial Reports (LKPD), and Budget Realization Reports (LRA) of regency and municipal governments for the 2016-2024 period to measure budget commitment, budget absorption, and budget performance. Budget politicization data was obtained from political party composition and coalition information supporting regional heads, sourced from the General Election Commission (KPU) and regional legislative council (DPRD) membership data. The population consisted of all local governments in Jambi Province, totaling 11 regions, comprising 9 regencies and 2 municipalities. The sampling technique employed was census sampling, in which the entire population was used as the research sample. With an observation period from 2016 to 2024, a total of 99 observations in the form of panel data were obtained, allowing analysis of variations across regions and over time.

Table 1. Population and Research Sample

Local Government	Regency Governments (9)	Municipal Governments (2)	Total Local Governments (11)
Number of Data in 2016	9	2	11
Number of Data in 2017	9	2	11
Number of Data in 2018	9	2	11
Number of Data in 2019	9	2	11
Number of Data in 2020	9	2	11
Number of Data in 2021	9	2	11
Number of Data in 2022	9	2	11
Number of Data in 2023	9	2	11
Number of Data in 2024	9	2	11
Total Data	81	18	99

Source: Processed data from various official sources.

Table 2. Operational Definition of Research Variables

No	Variable	Initial	Operational Definition	Indicators / Measurement Method	Scale	Data Source
1	Budget Performance	BP	The organization's ability to carry out operational activities to produce output that supports the achievement of the organization's goals and strategic plans, while still paying attention to the alignment between the budget as input and the output produced (Artopo et al., 2025).	$\frac{\text{Regional Expenditure Realization}}{\text{Regional Expenditure Budgetaerah}} \times 100\%$	Ratio	Budget Realization Report (LRA) of APBD
2	Budget Politicization	POL	The condition of political power dominance within the Regional House of Representatives (DPRD) that potentially influences the process and outcomes of regional budget decision-making.	Dummy variable based on the dominance of political party seats or coalitions supporting the regional head in the DPRD: majority seats (>50%) = 1; non-majority = 0	Dummy	General Election Commission (KPU) and Regency/Municipal DPRD

No	Variable	Initial	Operational Definition	Indicators / Measurement Method	Scale	Data Source
3	Budget Absorption	BA	Reflects the achievement of budget implementation over a specific period, as assessed by the level of budget realization or disbursement (Nirwayadhi & Dewi, 2025).	1. Budget Absorption Growth (Growth of Expenditure Realization) $Growth_{i,t} = \frac{Expenditure_{i,t} - Expenditure_{i,t-1}}{Expenditure_{i,t-1}} \times 100\%$ 2. Budget Absorption Stability (Volatility of Expenditure Growth) $Volatility_{i,t} = SD(Growth_{i,t-2}, Growth_{i,t-1}, Growth_{i,t})$ (3 year rolling period)	Ratio	Budget Realization Report (LRA) of Local Government APBD
4	Budget Commitment	COM	The level of seriousness and consistency of local governments and DPRD in implementing budgeting stages and schedules in accordance with prevailing laws and regulations.	The level of compliance with APBD preparation stages and schedules (Drafting of General Budget Policy - Temporary Budget Ceiling Priority (KUA-PPAS), KUA-PPAS agreement between executive and legislative branches, Submission of Draft APBD (RAPBD) to DPRD, RAPBD approval by DPRD, Enactment of Regional Regulation (Perda) on APBD) classified into categories ranging from Very Low (1) to Very High (5).	Interval	Regional budgeting documents and Ministry of Home Affairs Regulations on APBD Preparation Guidelines

Source: Secondary data processed from various official sources.

Data analysis in this study was conducted using WarpPLS 8.0 software with the Partial Least Square (PLS) method. This method was selected because it is distribution-free, allowing it to be applied to various data scales without requiring normal distribution assumptions. In addition to predicting relationships among variables and estimating latent variables, PLS employs bootstrapping techniques and can be applied to studies with relatively small sample sizes because it is categorized as a nonparametric method (Restu et al., 2022). The testing stages carried out in this research start from:

Since all variables in this study are measured using single indicators derived from objective secondary data, the outer model testing (convergent validity, discriminant validity, and composite reliability) is not applicable and was not performed. Standard SEM procedures such as loading factors, AVE, and Cronbach's alpha are only relevant for constructs with multiple indicators.

Inner Model Test

1. Model Fit Test

Model adequacy is assessed using the *Average Path Coefficient (APC)*, *Average R-Squared (ARS)*, and *Average Variance Inflation Factor (AVIF)*. A model is considered to meet the required criteria if the p-values of APC and ARS < 0,05 and the AVIF < 5 (Abadiyah, 2024).

2. R-Squared (R²) and Q-Squared (Q²) Tests

The R² value is used to explain the magnitude of the influence of exogenous latent variables on endogenous variables, while the Q² value is used to evaluate the predictive capability of the model. A model is considered to have predictive relevance if the Q² > 0 (Abadiyah, 2024).

3. Hypothesis Testing

Hypothesis decisions are based on the p-value, where a hypothesis is accepted if the p-value < 0,05 and rejected if the p-value > 0,05. This analysis aims to examine whether the

moderating variable is able to strengthen or weaken the relationship between the independent variables and the dependent variable (Abadiyah, 2024).

RESULT AND DISCUSSION

Inner Model Evaluation

Table 6. Goodness of Fit Evaluation of Structural Equation Models

Parameters	Coefficient
Average path coefficient (APC)	=0.210, P=0.007
Average R-squared (ARS)	=0.340, P<0.001
Average adjusted R-squared (AARS)	=0.312, P<0.001
Average block VIF (AVIF)	=1.280, acceptable if <= 5, ideally <= 3.3
Average full collinearity VIF (AFVIF)	=1.248, acceptable if <= 5, ideally <= 3.3
Tenenhaus GoF (GoF)	=0.583, small >= 0.1, medium >= 0.25, large >= 0.36
Simpson's paradox ratio (SPR)	=1.000, acceptable if >= 0.7, ideally = 1
R-squared contribution ratio (RSCR)	=1.000, acceptable if >= 0.9, ideally = 1
Statistical suppression ratio (SSR)	=0.750, acceptable if >= 0.7
Nonlinear bivariate causality direction ratio (NLBCDR)	=1.000, acceptable if >= 0.7

Source: WarpPLS 8.0 Output Results, 2026

Based on the Goodness of Fit evaluation results in Table 6, it can be concluded that the research model has a good level of fitness and is suitable for hypothesis testing. This is indicated by the Average Path Coefficient (APC) value of 0.210 with a p-value of 0.007 and the Average R-Squared (ARS) of 0.340 with a p-value <0.001, which has met the significance criteria (p-value <0.05). In addition, the Average Block VIF (AVIF) value of 1.280 and the Average Full Collinearity VIF (AFVIF) of 1.248 are below the maximum limit of 5, thus indicating no multicollinearity problems in the model. The Tenenhaus GoF (GoF) value of 0.583 also indicates a large fit category because it exceeds the limit of 0.36, which means the model has a good ability to explain the research data. Furthermore, the SPR value of 1.000, RSCR of 1.000, SSR of 0.750, and NLBCDR of 1.000 met the established criteria. Thus, overall, the structural model used in this study has a good fit, is free from significant collinearity issues, and is suitable for use in further analysis and hypothesis testing.

Table 7. R-squared (R²) and Q-squared Output

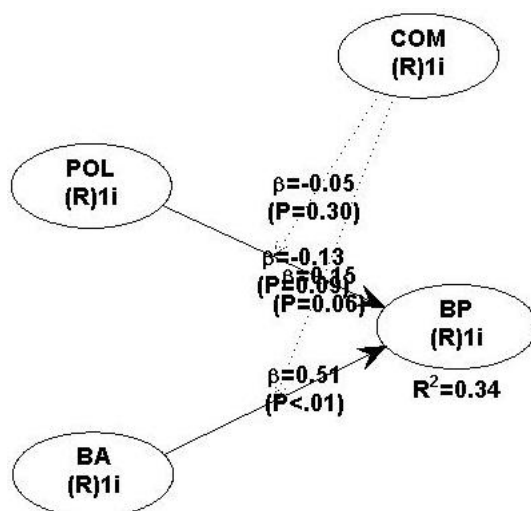
Indicator	Budget Performance (Y)
R-square	0.340
Q-square	0.338

Source: WarpPLS 8.0 Output Results, 2026

Based on Table 7, the R-squared (R²) value of 0.340 indicates that budget politicization (POL) and budget absorption (BA) can explain 34% of the variation in budget performance, while the remaining 66% is influenced by other variables outside the study. Furthermore, the Q-squared (Q²) value of 0.338 (>0) indicates that the model has good predictive relevance. This means the research model has adequate predictive capability for the budget performance variable (Abadiyah, 2024).

Hypothesis Testing

Hypothesis testing is conducted to verify the validity of the research hypothesis through the path coefficient value and its significance level. With a significance level of 5% (0,05), Ho is accepted if the p-value is ≥ 0,05, while Ho is rejected and Ha is accepted if the p-value is < 0,05 (Restu et al., 2022). The results of the hypothesis testing are presented as follows (Restu et al., 2022). The results of the hypothesis testing are shown as follows:



Source: WarpPLS 8.0 Output Results, 2026

Figure 1. WarpPLS 8.0 Output of Research Model Path Coefficients

Table 8. Hypothesis Testing Results

Variabel	Path Coefficient (β)	p-value	Description
POL \rightarrow BP	-0.130	0.092	No effect
BA \rightarrow BP	0.507	0.001	Effect
COM*POL \rightarrow BP	-0.052	0.301	No effect
COM*BA \rightarrow BP	0.150	0.061	No effect

Source: WarpPLS 8.0 Output Results, 2026

Based on the statistical estimation results in Table 8, budget politicization does not affect budget performance because it has a p-value > 0,05, while budget absorption does affect budget performance with a p-value < 0,05. In the moderation analysis, the interaction between budget commitment and budget politicization (COM×POL) and budget commitment and budget absorption (COM×BA) does not show a significant effect because each has a p-value > 0,05 (Abadiyah, 2024).

The Effect of Budget Politicization on Budget Performance

The results indicate that budget politicization does not have a significant effect on local government budget performance. This is evidenced by a coefficient value of -0.130 with a one-tailed probability value of 0.092 > 0.05, resulting in the rejection of the hypothesis. The negative coefficient indicates that higher budget politicization tends to reduce budget performance; however, the effect is not statistically significant. These findings suggest that although political dynamics exist within the regional budgeting process, local government budget implementation can still proceed in accordance with predetermined performance targets. This condition may occur because APBD management has been regulated through mechanisms of regulation, supervision, and control systems that limit the dominance of political interests in budget implementation. From the perspective of performance-based budgeting, budget performance is more influenced by the effectiveness of program implementation, output measurement, and accountability for results rather than political interests alone (Diamond, 2003b). Furthermore, (Schick, 2003) explains that performance-based budgeting systems emphasize result orientation and public accountability, thereby reducing the impact of political distortion in budget management. Thus, although budget politicization has a negative relationship with budget performance, the effect is not significant in local governments in Jambi Province.

The finding that budget politicization does not significantly affect budget performance warrants further consideration. This result aligns with (Gootjes et al., 2021), who demonstrated that strong fiscal regulations can limit political budget cycle potential. In Indonesia, the implementation of Government Regulation Number 12 of 2019 concerning Regional Financial Management and the strict oversight role of the Supreme Audit Agency (BPK) may have created effective control mechanisms. However, this finding differs from (Mahardini & Setiawan, 2022), who found that regional head political characteristics affect local government financial performance. This difference may be due to contextual differences: previous research used regional head characteristics, while this study used political dominance in the DPRD. This indicates that despite political dominance in the legislative body, budget implementation can still proceed according to targets due to strong control mechanisms in the regional financial management system

The Effect of Budget Absorption on Budget Performance

The results demonstrate that budget absorption has a positive and significant effect on local government budget performance, as indicated by a coefficient value of 0.507 and a one-tailed probability value of $0.001 < 0.05$, leading to the acceptance of the hypothesis. These findings indicate that higher budget absorption leads to better budget performance because budget absorption reflects the effectiveness and timeliness of program implementation within the APBD. The results also suggest that regions with stable and well-planned budget absorption tend to exhibit better budget performance, whereas low budget absorption may hinder program implementation and the achievement of performance targets. From the perspective of performance-based budgeting, budget absorption serves as the primary mechanism for achieving budget outputs and outcomes. Meanwhile, according to Agency Theory, budget absorption reflects the alignment between the interests of local governments as agents and society as the principal. These findings are consistent with the study of (Yalisman & Khoirunurrofik, 2025) as well as OECD reports emphasizing the importance of quality budget absorption in improving public sector performance. These results are also in line with research on regional governments in Indonesia which shows that good budget absorption contributes to improving the performance of government agencies through optimizing the implementation of regional programs and activities (Fadhilatunnisa et al., 2021).

The Role of Budget Commitment in Moderating the Relationship between Budget Politicization and Budget Performance

The results reveal that the interaction between budget commitment and budget politicization does not significantly affect local government budget performance. This is evidenced by a coefficient value of -0.052 with a one-tailed probability value of $0.301 > 0.05$, leading to the rejection of the hypothesis. The negative coefficient indicates that budget commitment tends to weaken the negative effect of budget politicization on budget performance; however, the moderating effect is not statistically significant. These findings suggest that budget commitment has not been able to optimally function as a control mechanism against political influence in the regional budgeting process. This condition may occur because political influence in budgeting is more strongly affected by institutional factors, power configurations, and external interests than by the individual commitment of government officials alone. From the perspective of Goal-Setting Theory, commitment to objectives will be effective when supported by clear goals, implementation consistency, and an organizational environment that supports target achievement (Locke & Latham, 2019). Therefore, although local governments possess budget commitment, its influence is not

sufficiently strong to significantly moderate the relationship between budget politicization and budget performance.

The Role of Budget Commitment in Moderating the Relationship between Budget Absorption and Budget Performance

The findings indicate that the interaction between budget commitment and budget absorption does not significantly affect local government budget performance. This is evidenced by a coefficient value of 0.150 with a one-tailed probability value of $0.061 > 0.05$, resulting in the rejection of the hypothesis. The positive coefficient indicates that budget commitment tends to strengthen the positive effect of budget absorption on budget performance; however, the effect is not statistically significant. These findings suggest that improvements in budget performance are more strongly determined by the effectiveness of budget realization itself rather than by the level of budget commitment as a moderating factor. Within the concept of performance-based budgeting, the achievement of budget performance is highly dependent on the government's ability to realize programs and produce measurable outputs and outcomes (Diamond, 2003a). Furthermore, (Schick, 2007) emphasizes that the quality of budget implementation and accountability systems plays a more dominant role than individual behavioral factors in determining successful budget performance. Thus, although budget commitment shows a positive direction in strengthening the effect of budget absorption on budget performance, the influence is not sufficiently strong to produce a significant moderating effect.

The inability of budget commitment to moderate the variable relationships indicates that structural and institutional factors may be more dominant than individual behavioral factors in influencing budget performance. This result is consistent with (Friyani & Hernando, 2019), who stated that the quality of budget implementation and good planning are more important determinants of budget performance success than individual factors alone. This is also supported by (Schick, 2007), who emphasized that budget implementation quality and accountability systems play a more dominant role than individual behavioral factors. Given that the p-value for the COM×BA interaction (0.061) is very close to the 0.05 significance threshold, this finding indicates an indication of weak moderation, although not statistically strong enough. Future research with larger sample sizes may detect stronger moderation effects.

CONCLUSION

This study aims to analyze the effect of budget politicization and budget absorption on the budget performance of local governments in Jambi Province, with budget commitment serving as a moderating variable. Based on the analysis using the Partial Least Square (PLS) method, the study found that budget politicization does not significantly affect local government budget performance. These findings indicate that although political dynamics exist within the regional budgeting process, budget implementation can still proceed according to predetermined targets due to the existence of regulatory mechanisms, supervision, and control systems in APBD management. In contrast, budget absorption was found to significantly affect budget performance. This demonstrates that the effectiveness of budget realization and the timeliness of program implementation are important factors in improving the quality of local government budget performance.

The results also reveal that budget commitment is unable to moderate the effect of budget politicization on budget performance or the effect of budget absorption on budget performance. These findings indicate that budget commitment is not sufficiently strong to either strengthen or weaken the relationships among the variables examined in this study. Therefore, the success of local government budget performance is more strongly influenced

by the quality of budget implementation, the effectiveness of program execution, and the ability of local governments to optimally realize budgets rather than by budget commitment as a moderating variable. The findings of this study strengthen the argument of (Friyani & Hernando, 2019) who stated that the quality of budget implementation, good planning, and the effectiveness of program implementation are the main factors that determine the success of local government budget performance compared to political factors or individual behavioral factors alone.

This research contributes to the literature on regional financial management, particularly regarding the relationship between budget politicization, budget absorption, and regional government budget performance. Furthermore, the results can guide regional governments in improving budget management effectiveness by optimizing budget absorption, strengthening program implementation, and enhancing regional financial governance to be more accountable and performance oriented. This also includes strengthening performance evaluation, utilizing performance information in budget preparation, and increasing public accountability (Sofyani, 2018). These efforts are crucial factors in supporting the success of sustainable regional financial management. There are Potential variables that may affect budget performance and should be considered in future research include regional fiscal capacity, bureaucratic quality, procurement efficiency, internal control systems, leadership effectiveness, institutional capacity, and external factors. Future research should consider integrating these variables to improve the model's explanatory power.

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