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JOB INVOLVEMENT AND JOB RELEVANT INFORMATION IN MODERATING BUDGETING PARTICIPATION ON BUDGETARY SLACK

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Abstract: Budgetary slack frequently happens in local governments. This can also occur due to indications of individual behavior lowering the income target to facilitate the achievement of local government budgets. The purpose of the study was to examine and analyze job involvement and job relevant information moderating budgetary participation on budgetary slack with empirical study on the regency of Sijunjung. The sample of this research is echelon II, III and IV officials in government of Sijunjung Regency. The sampling technique use in this study is a purposive sampling technique. The sample used in this studi were 59 respondents. The analysis of Partial Least Square (PLS) based on variance is the analytical technique used in this research. The results of the study found that budgetary participation has a positive and significant effect on the level of budget slack reduction. Job involvement was not evidenced to moderate the effect of budgetary participation on the level of budget slack reduction while job relevant information was evidenced to moderate the effect of budgetary participation on the level of budget slack reduction and is in quacy moderation. Suggestions for further research should be to examine the entire regional apparatus organization (OPD) in Sijunjung Regency to see budget slack in the budget preparation process and how employee involvement and information can reduce gaps in employee participation in budget preparation. In the participatory budgeting process, the government must consider the factors that influence budget participation, which can have an impact on budgetary slack, such as job involvement and job relevant information.

Keywords: Participation in Budgeting, Job Involvement, Job Relevant Information, Budget Slack

CITATION

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INTRODUCTION

Preparing a Regional Revenue and Expenditure Budget (APBD) is part of the State financial system. APBD is the annual financial plan of regional government, which is discussed and approved jointly by the Regional Government and DPRD and stipulated by regional regulation. It is a planning and local government control tool (Setiawan and Ghozali, 2016). The implementation of regional autonomy based on Law No. 32 of 2004 causes changes in the budget preparation. This budgeting reform is changing from the traditional budget system to a performance-based one. Budgeting is often associated with budget slack. Budgetary slack frequently happens in local governments. Its occurrence is due to the difference in the potential revenue and the budget target (Syahrir, 2017). It can also occur due to indications of individual behavior lowering the income target to facilitate the achievement of local government budgets. Budgetary participation is one of the budgeting systems that can overcome the problem of budgetary slack. In this system, supervisors must be directly involved in conducting budget reviews and approvals, keep track, and always be informed of budget implementation results to create a realistic budget without active participation from superiors. Subordinates tend to set an easy-to-achieve budget by budgetary slack (Frihatni and Abbas, 2020). Budgeting will reduce the occurrence of budgetary slack. Therefore, increasing employee participation in budgeting can reduce the occurrence of budgetary slack. Before 2004, Sijunjung Regency was the third largest regency in West Sumatera under the Sawahlunto Sijunjung Regency. After the division of the region, Sawahlunto Sijunjung Regency was divided into two separate regencies, namely Sijunjung Regency and Dhamasraya Regency. As a regency resulting from the division, the regency of Sijunjung has undergone a decrease in Regional Original Revenue compared to the district resulting from the regional expansion in West Sumatera, namely Dhamasraya Regency. Data from the Central Bureau of Statistics on Original Local Government Revenue (PAD) in West Sumatra from 2018-2020 shows that the Sijunjung regency has the lowest revenue. As seen in table 1, from 2018-2022, Sijunjung Regency's PAD ranks third lowest compared to other regencies and municipalities in West Sumatra. Consequently, the Sijunjung regional go-

vernment needs to concentrate on preparing Regional Revenues and Expenditure Budget (APBD) by involving all governmental components. In preparing the budget, budgetary slack, the practice of overestimating the expenses and underestimating the projected revenues causing the difference between the budget that has been planned and the implementation that is deliberately carried out for personal gain, must be avoided at all costs. Many previous researchers have conducted research related to budget slack. One of the variables most often associated with budgetary slack is budgetary participation. The studies by Pratama (2013), Setiawan and Ghozali (2016), Ardianti et al. (2015), Trensayani and Gayatri, (2016), Kahar et al. (2016), and Hormati et al. (2017) found that budget participation affects budget slack.

In addition to participation in budgeting, several previous studies have identified factors causing budget slack, including work involvement. Job involvement is defined as the degree to which a person perceives the importance of his work. Research conducted by (Venusita, 2008) (and Kenisah et al., 2020) found that there is an effect of work involved on the budget slack. Job-relevant information is a situation where a subordinate conveys information to superiors so that they can then influence decision-making. Research on job-relevant information variables has been carried out (Bulan, 2011), (Pradani and Erawati, 2016). Several previous studies found that the research results on the variables of budgetary slack were inconsistent, and there have been very few studies using the moderating variable in strengthening or weakening the budget gap. Therefore this study will analyze the effect of budgetary participation on budgetary slack in the Sijunjung Regency and investigate whether work involvement and job relevance moderate budgetary participation towards budgetary slack in the Sijunjung Regency Government.

The novelty of this study is that there has been no research using budget slack as a research object. As an area resulting from division of formerly Sawahlunto Sijunjung Regency, the budget preparation process potentially causes budgetary slack due to the limited number of available government apparatus. Moreover, only few studies on the budgetary gaps have used moderating variables, especially using job involvement variables and job-relevant information as moderating variables.

Table 1. District Original Revenue (PAD) Data in West Sumatra

Kabupaten / Kota	District Original Revenue (PAD)		
	2018	2019	2020
Kab. Kepulauan Mentawai	79.851.330.00	84.990.250.00	50.316.759.00
Kab. Pesisir Selatan	125.080.485.70	152.795.793.96	15.6419.589.08
Kab. Solok	71.710.967.81	71.716.021.64	75.296.758.35
Kab. Sijunjung	73.319.762.19	74.511.920.92	58.785.769.00
Kab. Tanah Datar	152.110.032.00	14.6175.319.00	165.000.448.00
Kab. Padang Pariaman	117.735.858.38	112.906.448.55	109.467.232.00
Kab. Agam	106.081.198.00	117.952.590.00	125.059.320.00
Kab. Lima Puluh Kota	84.798.043.00	89.175.196.00	100.575.904.20
Kab. Pasaman	98.526.149.09	9.1198.409.39	95.921.682.40
Kab. Solok Selatan	23.848.000.00	81.908.000.00	70.918.707.16
Kab. Dharmasraya	80.085.859.65	90.085.859.65	104.794.164.00
Kab. Pasaman Barat	102.623.195.68	115.527.592.97	142.978.775.35

Source: Central Bureau of Statistik in West Sumatera (2022)

LITERATURE REVIEW

Budgetary Slack

The budgetary slack is significant for the government, which is legally and formally required to balance the budget yearly (Smith, 2011). According to (Putri and Solikhah, 2018), the budget gap is the difference between the stated budget and the actual budget estimated on purpose, with a tendency to reduce income and increase costs or expenses. According to theorists and researchers, budgetary slack is an organizational and behavioral problem in which leaders deliberately assign additional obligations to specific budgetary sources or consciously do not consider productive abilities (Faria and Silva, 2013). The budget that has been set functions as a planning and performance criterion as the budget is used as a control system to measure managerial performance.

Budgetary Participation

According to (Sardjito, 2008), the established budget serves as a planning and performance criterion because it is a control mechanism for measuring managerial performance. The established budget is a planning and performance criterion because it is a control mechanism for measuring ma-

anagerial performance. According to Robbins and Timothy (2014), participation is a concept in which subordinates are involved in decision-making with their superiors. Creating a budget, which incorporates both superiors and deputies, will lead to effective managerial performance. In other words, the process of participation in budgeting is the participation and the involvement Regional Apparatus Organization (OPD) from the head to staff level (Aditia and Nasution, 2020).

Job Involvement

Job involvement is related to the cognition, in which individuals believe the job meets their needs. It includes the extent to which an individual identifies with his work, both at and outside the workplace (Brownell, 2016). Job involvement is an attitude related to work that refers to the relative strength of emotional attachment, identification, and involvement of employees with the organization where they work and determines the degree of involvement of the subordinate with their work (Macinati and Rizzo, 2016). Job involvement is a view held by someone about the job they have. Managers with higher levels of job involvement will create budgetary slack, that is, to protect their

jobs and protect their image in the short term. (Lunardi et al., 2019).

Job relevant information

Job Relevant Information is up-to-date information directly related to the duties of the responsibility unit (Dewi and Sunarsih, 2017). Therefore, the organization should update the latest in-

formation. Job-relevant information is defined as information that facilitates or mediates a positive relationship between decision-making processes related to specific tasks in a particular organization. Information relevant to work will help subordinates or budget managers increase decision-making choices through correct information (Bhilawa and Kautsar, 2018).

HYPOTHESIS DEVELOPMENT

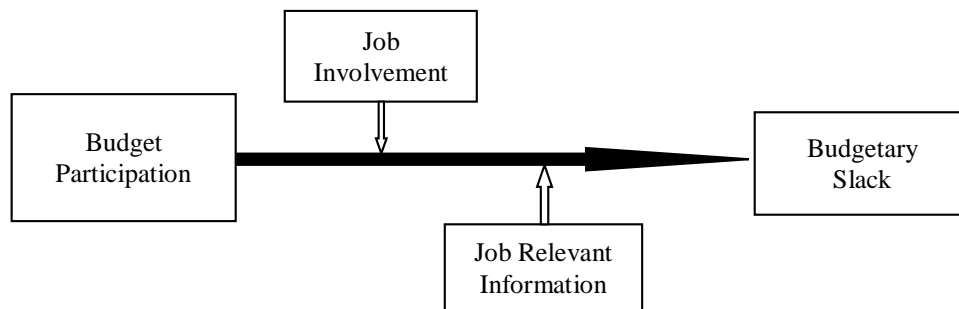


Figure 1. Conceptual Framework

Preparing the budget will allow for budgetary participation by managers from each division, thus allowing an indication of budgetary slack to arise. Budgetary slack can arise due to differences between estimates and actuals made when preparing the (Erina and Suartana, 2016). Participation is the idea that subordinates participate in decision-making alongside their superiors. The good managerial performance will arise from the budget preparation procedure incorporating superiors and subordinates (Pikukuhing, 2021). Research that has been conducted by Setiawan and Ghozali (2016), Adiguna (2017), Bagus and Astika (2016), Pratama (2013), Savitri and Sawitri (2014), and Yuliani and Susanto (2018), found that budgetary participation has a significant and positive effect on budgetary slack. The Research Schoute and Wiersma (2011), Mutiara and Anisa (2018), Aditia and Natsion (2020) show that budget participation influenced the budgetary slack, as well as the organizational commitment influence of relationship between budgetary participation and budgetary slack. Ngo et al. (2017) found that the analysis's findings demonstrate that managers' generation of the budgetary slack strongly correlates with budget attention.

H1: Participation in budgeting has a positive effect on budgetary slack.

The research (Lunardi et al., 2019) found that budget participation positively influences the job involvement, directly and indirectly influencing managerial performance. (Venusita, 2008) in his research, there was an effect of budgetary participation and work involvement on budgetary slack and an effect of job involvement on budgetary slack through organizational commitment as a moderating variable. The analysis's findings strongly connect managers' budgetary slack creation and budget emphasis (Rahman, 2003). The result indicates that for highly committed managers, job involvement is associated with decreased propensity to create budgetary slack. For example, for managers with low levels of commitment to the organization's goals and values, job involvement is associated with an increased propensity to create budgetary slack (Nouri, 2004). Based on this statement, it can be interpreted that high job involvement will make superiors more dominant in their participation in preparing the budget. Thus, this can create budgetary slack.

H2: Job involvement has a positive effect on moderating the relationship between budgetary participation and budgetary slack

Research on job-relevant information variables has been carried out by Bulan (2011), Prada-

ni and Erawati (2016), and Bhilawa and Kautsar (2018). Job-relevant information has a negative effect on budgetary slack (Dewi and Sunarsih, 2017). Bulan (2011) stated that job-relevant information is urgently needed to assist in the selection of programs and activities that are effective and economical so that the preparation of the budget is carried out based on priority considerations of programs and activities. Participation budgeting and information asymmetry affect budget slack, mediated by job-relevant information (Dwi and Agustina, 2010).

H3: Job-relevant information has a positive effect on moderating the relationship between budgetary participation and budgetary slack

METHOD

Sampling in this study was conducted by non-probability sampling, namely by using a purposive sampling approach. Generally, the criteria used are employees who have worked for over three years. The criteria in this study are Echelon II/III/IV officials who participate directly in the budget preparation process. The sample in this study was the Head of Department, Head of Finance, Head of Sub-Division of Finance at Regional Apparatus Organizations (OPD) in Sijunjung Regency as many as 59 respondents. This research uses quantitative methods.

Definition of Operational Variables

Budget participation is a budget arranged with the full cooperation and participation of leaders at all levels in making budget estimates (Kahar et al., 2016). Indicators include: participation when the budget is drawn, ability to provide opinions in budget preparation, frequency of giving opinions and suggestions to supervisors regarding the budget, having influence over the final budget, and contribution to budgeting. Job involvement is a condition where individuals involve their work in every behavior, inside or outside the organization. This behavior is because they feel their current job is important to them. Indicators of work engagement include active participation in work. Work is the top priority, and work is considered important to self-esteem, mental and emotional engagement, contribution to motivation, and responsibility

Job-relevant information can assist superiors in choosing the best course of action through

better-informed efforts, such as information on inflation, economic conditions, and the organization's financial condition (Bulan, 2011). Indicators in Job relevant information include: obtaining clear information, processing sufficient information, obtaining strategic information, and seeking the correct information. Budgetary slack is the difference between the budgeted amount and the realized amount. Subordinates carry out budgetary slack by presenting a budget with a low difficulty level to be easily achieved. This slack tends to be carried out by subordinates knowing that their performance is measured based on the level of achievement of the budget. Several indicators of budget slack variables, including budget standards, can improve the achievement of budget targets. Other indicators are budget targets that are easy to achieve cost Monitoring due to the limitation of budget usage limitations, demands on the budget, inefficient Budget targets, and unrealistic Budget targets.

Data Analysis Techniques

Partial Least Square (PLS) Model Analysis This research model explains the effect of budgetary participation on budgetary gaps moderated by job involvement and job-relevant information. The results of the analysis will be divided into two parts, namely the outer model to explain the relationship between the variables and the items and the inner model to explain the variables with the variables (Jogiyanto, 2014). The first hypothesis testing of the study was carried out using the Multiple Linear Regression Analysis model. (Sarwono, 2012).

$$Y = a + .X_1 + e$$

Information:

Y = Budgetary Slack (SA)

a = Constant

X 1 = Budgeting participation

As for testing the second and third hypotheses using interaction regression or Moderated Regression Analysis (MRA). The research model was formed to test the effect of the independent variable on the dependent variable through the moderator variable, then test the independent variables together through the moderator variable on the dependent variable. This form of causal relationship requires an analytical tool that can explain the relationship simultaneously, so the statistical method

used in this research data analysis is the Structural Equation Modeling (SEM) Smart PLS (Jogiyanto, 2014). The equation model is as follows:

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_1 * X_2 + \beta_5 X_1 * X_3 + e$$

Information:

- Y = Budgetary Slack
- a = Constant
- $\beta_1, \beta_2, \beta_3$ = Regression Coefficient
- X 1 = Participation in budgeting
- X 2 = Job Involvement
- X 3 = Job-relevant information
- e = Error

RESULTS

Profile of respondents

Questionnaires were distributed to five regional apparatus organizations (OPD) in Sijunjung Regency. 59 Respondents who meet the requirements are echelon IV, III, and II officials. Characteristics of respondents based on gender illustrate that most respondents are male, as many as 32 people (54.2%), and the remaining 27 (45.8%) are women. In contrast, the Characteristics of respondents based on age illustrate that the majority of respondents are those aged 29 - 40 years, as many as

25 people. The remaining are aged 40 - 50 years, 18 people (30.5%), and those aged 50 years and over, as many as 16 people (27.1%). Characteristics of respondents based on the level of education show that respondents with Diploma III/IV education are three people, Bachelor Degree (S1), as many as 36 people (61%), and Master Degree (S2), as many as 20 people (33.9%) Characteristics of respondents based on years of service illustrate that the majority of respondents have work experience under five years, as many as 24 people (40.7%). The working period of 5.1-10 years was 12 people (20.3%), and the working period of 10.1-15 years was as many as 15 people (25.4%). And the remaining working period of 15 years and over as many as eight people (13.6%). Characteristics of respondents based on the majority of echelon II respondents, as many as four people (6.8%). Echelon III, as many as 21 people (35.6%), and the remaining echelon IV, as many as 34 people (57.6%). This research model explains the effect of budgetary participation on budgetary gaps, moderated by job involvement and job-relevant information. The results of the analysis will be divided into two parts, namely the outer model to explain the relationship between variables and items and inner model to explain the variables with the variables.

Convergent Validity Test

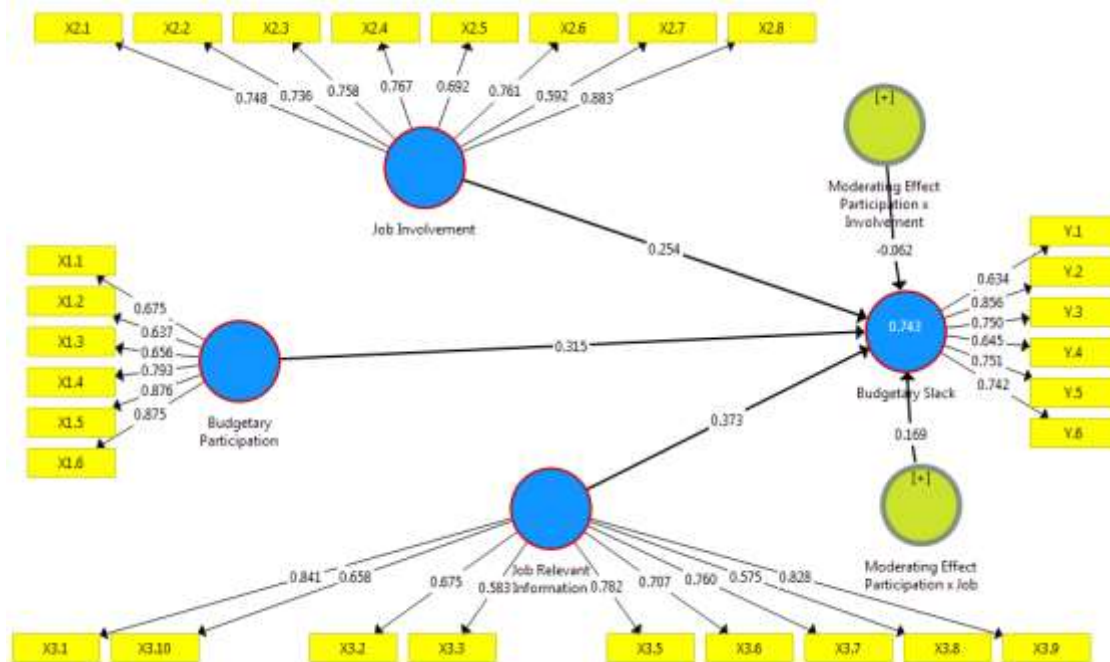


Figure 2. Outer Model

The outer model aims to examine each item's relationship to the inner model's latent constructs. The factor values will be taken from the loading values in the relationship between items and reflective constructs. The largest loading item explains that the strongest latent construct forms the item. Items with a loading factor of 0.50 or more indicate that the item has good validation for measuring latent variables. (Ghozali and Latan, 2015). Variable participation in budgeting, which consists of six statement items, has a loading factor value above 0.5, an AVE value of 0.575, and composite reliability of 0.889. It leads to the conclusion that all statement items are valid, and from all variables of job involvement which consist of 8 statement items, all variables are declared valid. All statement items have a loading factor value above 0.5. While the AVE value is 0.556 and composite reliability is 0.908. All statement items for job-relevant information variables consisting of nine questions are declared valid. It can be seen from all the loading factor values above 0.5, the AVE value of 0.516, and composite reliability value of 0.904. The budget slack variable, which consists of 6 statement items, has a loading factor value above 0.5, an

AVE of 0.538, and composite reliability of 0.874. In conclusion, all statement items are stated to be valid.

Reliability Test

The four variables in this study, namely participation in budgeting, job involvement, job relevant information, and budgetary slack, have a Cronbach's alpha greater than 0.7. The budgeting participation variable has a value of 0.847. Job involvement is 0.884, job relevant information is 0.879, and budgetary slack is 0.825. The Cronbach alpha values of these four variables indicate that all variables are reliable.

Hypothesis Testing

The hypothetical model of the relationship between budget participation and budgetary gaps is moderated by job involvement and job-relevant information and is explained in the Figure 2. The structural model explaining relationship between the four variables is built on one equation because there is only one endogenous variable: budgetary slack. The results of data processing can be seen in the following figure 3.

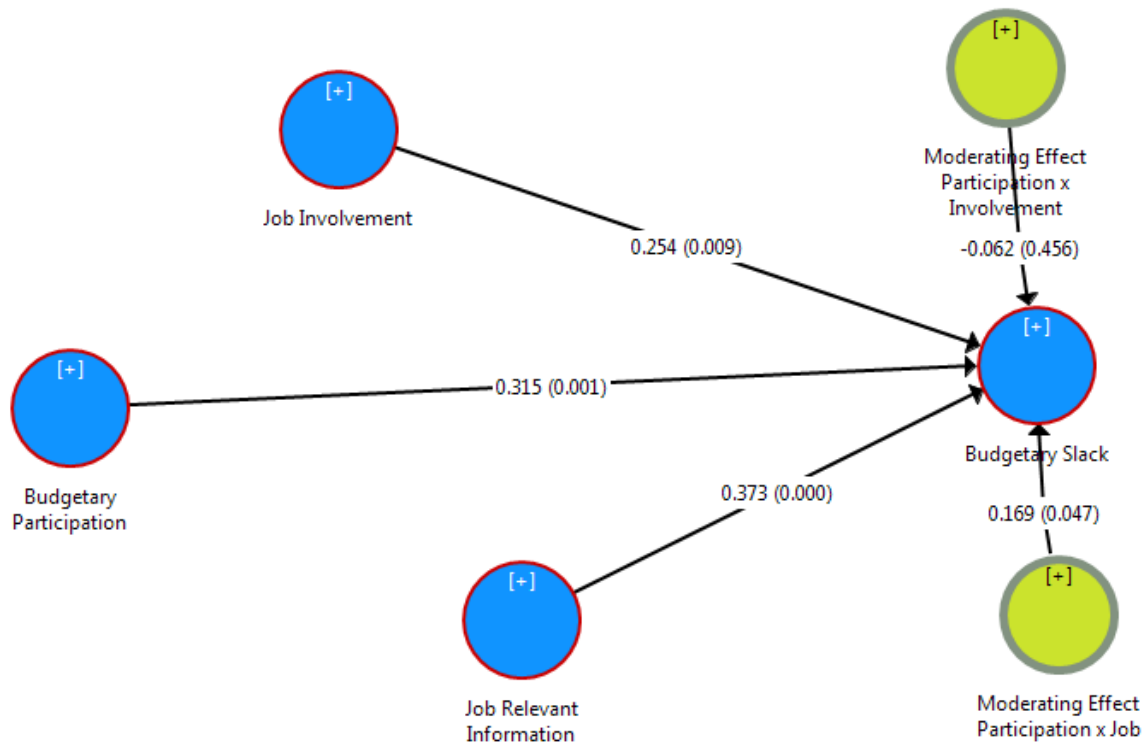


Figure 3. Inner Model

Path coefficient 0.315 ($t= 3.401$; $p = 0.001$) of budgetary participation on budgetary slacks is significant because p -value is smaller than 0.05. Therefore, it can be concluded that the first hypothesis is accepted. Namely, budget participation has a significant effect on budget slack. Path coefficient 0.254 ($t= 2.561$; $p= 0.009$) of job involvement on budgetary slacks is significant because the p -value of $0.009 < \alpha$ of 0.05. Path coefficient 0.373 ($t= 3.822$; $p=0.0000$) of job-relevant in-

formation on budgetary slacks is significant because the p -value of $0.000 < \alpha$ of 0.05. From the results of this test, the testing using moderating variables, namely job involvement variables and Job Relevant Information, can be conducted. In the results of the hypothetical model, the contribution of budgetary participation moderated by job involvement and job-relevant information to explain the diversity of the budget slack is 74.3%, which explains the high model fit in this model.

Measurement Model Analysis or Outer Model

Table 2. The result of the Coefficient Test on the Inner model

Variable Relationship	Original Sample	Standard error	T	P
Endogenous :				
Budget Slack , $R^2 = 76,6\%$				
Budgeting Participation -> Budget slack	0.315	0.093	3,401	0.001
Work engagement -> Budget slack	0.254	0.099	2,561	0.009
Job Relevant information -> Budget slack	0.373	0.098	3.822	0.000
Participation X Job involvement -> Budget slack	-0.062	0.079	0.777	0.456
Participation X Job Relevant Information -> Budget slack	0.169	0.085	1.989	0.047

Source: Data processing (2022)

Furthermore, the proof of job involvement variables and job-relevant information as a moderator of the relationship between budgetary participation and budgetary slack, as evidenced by the result of the interaction coefficient test. The interaction path coefficient between budgetary participation and job involvement -0.062 ($t = 0.777$; $p = 0.456$) is insignificant. The results of this test provide evidence that work involvement does not moderate the effect of budgetary participation on budgetary slacks. In conclusion, the second hypothesis is rejected, as job involvement does not moderate the effect of budget participation on the budget slack. The coefficient of interaction path between budgetary participation and job-relevant information 0.169 ($t= 1.989$; $p= 0.047$) was significant. The result of this test provides evidence that job-relevant information moderates the effect of budgetary participation with budgetary slacks. The moderating nature of job-relevant information is weak moderation because the results of the path coef-

ficient test on the relationship between job-relevant information and budget slack are significant. Thus, it can be concluded that the third hypothesis is accepted because job-relevant information moderates the effect of budget participation on budget slack.

DISCUSSION

Budgetary Participation and Budgetary Slack

The first hypothesis is accepted: budget participation significantly affects budget slack. It shows that reducing the budget slack will be higher if employees have high participation in budgeting. This budgeting participation variable consists of six indicators. Based on the study's results, it was found that the most dominant indicator perceived is that the superior officers frequently ask subordinates' opinions in the budgeting process. It implies that employees in each regional apparatus organization (OPD) in Sijunjung Regency feel that their superiors acknowledge and give authority to

their subordinates in the budget preparation process. The high participation of Echelon IV and III officials in regional apparatus organizations (OPD) in preparing the budget prevents budgetary slack. This result follows previous research findings on the positive and significant effect of budget participation on budgetary slack (Setiawan and Ghozali, 2016), (Pikukuhing, 2021), (Aditia and Nasution, 2020), (Hormati et al., 2017). Moreover, research by Ngo et al. (2017) found that the analysis's findings of budgetary slack are significantly correlated with budget attention. Research (Frihatni and Abbas, 2020) showed that participatory budgeting, information asymmetry, and environmental uncertainty positively affect budgetary slack. However, the results of this study do not support research conducted by (Kahar et al., 2016), which found that the result revealed a significant negative effect of participatory budgeting on budgetary slack.

Moderation Role of Job involvement

The results of this test show that job involvement or participation does not moderate the effect of budgetary participation on budgetary slack. In conclusion, the second hypothesis is rejected as it is evident that job involvement does not moderate the effect of budget participation on the budget slack. The job involvement variable consists of eight indicators. Based on the research results of these indicators, the highest in the statement is that I want to work hard and be useful for myself personally and the organization's benefit. This result means that employees in each regional apparatus organization (OPD) at the research locus feel that they work hard collectively in preparing the budget. Thus, each echelon IV and III official prepares the budget. However, from the results of hypothesis testing, the work involvement variable does not moderate the effect of budgetary participation on budgetary slacks. It is because employees have low work involvement, which creates budgetary gaps. They do not identify the job as theirs or care about the work. The results of this study do not support previous research (Nouri, 2004), (Rahman, 2003) that found that job involvement is associated with an increased propensity to create budgetary slack. Research conducted by (Lunardi et al., 2019) also found that budget participation positively affects job involvement. (Venusita, 2008) also found that there is an effect of the budgetary participation and

work participation on employment inequality.

Moderation Role of Job-Relevant Information

The third hypothesis is accepted because job-relevant information is evident in moderating the effect of budget participation on budget slack. The Job Relevant Information variable consists of eleven indicators. Of the eleven indicators, it was found that the highest perceived value was on the indicator. I always felt clear about who was doing the best. It means that employees in each regional apparatus organization (OPD) in Sijunjung Regency feel clear about relevant information in the budget preparation process. The higher the job-relevant information provided in budget preparation, the more likely budget slack accuracy will be lower. Subordinates with accurate information can reduce the potential for budget slack. The results of testing on the third hypothesis do not support research conducted by (Bhilawa and Kautsar, 2018), and (Pradani and Erawati, 2016), who found that job-relevant information does not affect the relationship between budget participation and budgetary slack. Research conducted by (Dewi and Sunarsih, 2017) also found that budget participation, while organizational commitment and job-relevant information, have a negative effect on budgetary slack. The results of this study support previous research (Bulan, 2011), (Dwi and Agustina, 2010), which found increasing participation in budgeting and information asymmetry and job-relevant information will affect the decrease in budget slack.

IMPLICATIONS

The government must consider that the factors such as job involvement and relevant job-relevant information can impact budgetary slack in participatory budgeting process. Besides that, the government should try to increase the involvement of echelons IV and III in the budget preparation to have a stronger bond with the organization where they work. Then the government also has to improve job-relevant information, especially indicators of clarity about what needs to be done best by providing relevant information on the duties of budgetary employees.

RECOMMENDATIONS

The sample from this study is limited to 5 regional apparatus organizations (OPD) in Sijun-

jung Regency with 59 respondents, so they have not described the actual conditions regarding factors of budget slack that occurs in the budget preparation in Sijunjung district, West Sumatra Province.

Suggestions for further research should be to examine the entire regional apparatus organization (OPD) in Sijunjung Regency to see the budget slack in the budget preparation process and how employee involvement and information can reduce gaps in employee participation in budget preparation.

CONCLUSIONS

Budgeting participation positively and significantly affects slack budget reduction in the Regional Revenue and Expenditure Budget (APBD) of Sijunjung Regency Government, West Sumatra Province. However, job involvement is not proven to moderate the effect of budgetary participation on the level of slack budget reduction. Job-relevant information is proven to moderate the effect of budgetary participation on slack budget reduction and is quacy moderation in Sijunjung Regency, West Sumatra Province.

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