



BUDGETARY SLACK: CHALLENGING EFFICIENT PUBLIC SECTOR BUDGET MANAGEMENT

FOLGA ORÇAMENTÁRIA: UM DESAFIO PARA A GESTÃO EFICIENTE DO ORÇAMENTO NO SETOR PÚBLICO

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Abstract

Budget management in the public sector aims to efficiently allocate resources, but this can be compromised by budgetary slack. This survey used PLS-SEM to analyze the antecedents of the phenomenon. The results revealed that budget emphasis positively affects slack creation. In contrast, budget participation did not have a significant influence. Furthermore, the moderating effects of organizational commitment and information asymmetry were not confirmed. Structural factors such as normative rigidity, centralized decision-making, and low participatory effectiveness in the Brazilian budgetary context may have pivotal roles in the results.

Keywords: Public sector. Budget management. Budgetary slack. Efficiency. Resources allocation.

Resumo

A gestão orçamentária no setor público visa à alocação eficiente de recursos, o que pode ser comprometido pela folga orçamentária. Esta pesquisa utilizou a modelagem por equações estruturais (PLS-SEM) para analisar os antecedentes do fenômeno. Os resultados revelaram que a ênfase no orçamento tem um efeito positivo na criação de folga. Em contrapartida, a participação no orçamento não apresentou influência significativa. Além disso, os efeitos moderadores do comprometimento organizacional e da assimetria de informação não foram confirmados. Fatores estruturais como rigidez normativa, centralização da tomada de decisões e baixa eficácia participativa no contexto orçamentário brasileiro podem ter papéis fundamentais nos resultados.

Palavras-chave: Setor público. Gestão orçamentária. Folga orçamentária. Eficiência. Alocação de recursos.

Introduction

Budget management in the public sector is crucial for the efficient use of financial resources, for guiding public administration, and for reflecting governmental priorities (Anjeliasi et al., 2024). However, practices such as the creation of budgetary slack—defined as the deliberate or accidental inclusion of safety margins in estimates—often compromise these objectives, harming efficiency and leading to inadequate resource allocation (Anjeliasi et al., 2024; Schmidt et al., 2023). In addition, such practices can distort performance evaluations, weaken transparency and public accountability, and erode institutional trust (Ehsan et al., 2023).

A deeper understanding of budgetary slack necessitates an integrated theoretical approach. Agency Theory offers insight into how information asymmetries foster opportunistic behaviors, such as the intentional creation of slack to serve personal or departmental interests (Eisenhardt, 1989; Jensen & Meckling, 1976). Complementarily, Institutional Theory helps explain how formal pressures (laws and regulations) and informal pressures (organizational and political culture) shape budgeting practices, accounting for the persistence of dysfunctional behaviors even in the presence of institutionalized control mechanisms (DiMaggio & Powell, 2010; Scott, 2013). In parallel, the critical accounting line proposed by Hopwood (1972, 1976) challenges a neutral view of budgets, interpreting them as instruments of control and power that can generate resistance and defensive practices such as the creation of slack (Chua, 1986).

Among the factors directly related to slack formation is budget participation, defined as the active involvement of subordinates in budget preparation and setting (Purwandari et al., 2023). Meanwhile, such participation may reduce information asymmetry and the extent of slack; however, evidence suggests a more complex influence, indicating that participation alone does not guarantee positive results in this regard, as cautioned by Tyas et al. (2022).

Another related factor is budget emphasis, which represents the degree of importance assigned to budgeting processes within organizations (Buzzi et al., 2014; Dunk, 1993). Although necessary, excessive emphasis may paradoxically encourage opportunistic behaviors, such as overestimating expenses or underestimating revenues to obtain greater flexibility and easily attainable targets (Beuren & Verhagem, 2015; Dos Santos et al., 2022). Recently, researchers have demonstrated that high budget centrality can be counterproductive, as it increases budgetary slack in response to cope with future uncertainties (Munawaroh et al., 2024).

Additionally, organizational commitment—defined as employees' degree of loyalty and involvement—emerges as a potential moderator between these dysfunctional behaviors and slack (Al Jasimee & Blanco-Encomienda, 2024; Ariani & Budiasih, 2021; Sarwendhi, 2021; Yılmaz et al., 2014). More committed employees tend to align their interests with organizational goals, reducing the risk of manipulating budget information for personal benefit (Bortoluzzi et al., 2023; Sarwendhi, 2021; Zettler et al., 2011).

Although Murtin and Septiadi (2012) and Nurmayati et al. (2018) address the factors as mentioned earlier, there remains a need for research that analyzes these dynamics in different contexts, such as the public sector—especially when considering structural challenges like budget rigidity, low social participation in budget decisions, and the absence of adequate incentives for public agents' performance (Suwandi et al., 2023; Dias & Wilbert, 2023).

Thus, understanding the interactions among variables such as information asymmetry, budget participation, budget emphasis, and organizational commitment is relevant for public organizations seeking to improve the integrity, efficiency, and effectiveness of their budgeting processes (Prasetya & Wardhani, 2016; Pusporini et al., 2018; Suwandi et al., 2023).

Accordingly, the objective of this study is to analyze the relationships between budget participation, budget emphasis, and the creation of budgetary slack in the Brazilian public sector, while also considering

the moderating roles of information asymmetry and organizational commitment. The empirical data are derived from the perceptions of professionals directly involved in budget management within Brazilian public agencies.

From a theoretical standpoint, this study contributes by integrating perspectives from Agency Theory, Institutional Theory, and the critical accounting line, thereby providing a broader understanding of the dynamics of budgetary slack. Specifically, the work advances the analysis of interactions among budget participation, budget emphasis, information asymmetry, and organizational commitment, shedding light on mechanisms that can mitigate dysfunctional practices (Murtin & Septiadi, 2012; Nurmayati et al., 2018; Putra et al., 2023).

In practical terms, the findings provide insights for enhancing budgeting practices in the public sector. The evidence points to ways in which public administration can develop more effective strategies for budget control, promoting greater transparency, improved internal communication, and alignment between employees and institutional objectives (Kerihl et al., 2022; Suwandi et al., 2023).

Theoretical Framework

Agency Theory, Institutional Theory, and the Critical Accounting Line

Agency Theory enables us to view budgetary slack as a result of opportunistic behavior by managers facing information asymmetry, where agents possess more knowledge than their superiors (Eisenhardt, 1989; Jensen & Meckling, 1976). This context makes it difficult to align interests and limits the effectiveness of instruments such as budget participation and budget emphasis (Al Jasimee & Blanco-Encomienda, 2024; Dunk, 1993; Dunk & Perera, 1997; Lavarda & Almeida, 2013; Pusporini et al., 2018).

However, agency relationships do not occur in a vacuum. Institutional Theory emphasizes that organizational behavior is shaped by norms, rules, and institutional pressures (DiMaggio & Powell, 2010; Scott, 2013). In the Brazilian context, budget rigidity, a culture of compliance, and the pursuit of legitimacy (isomorphism) contribute to the adoption of formal practices that often fail to produce tangible effects, such as budget participation (Dias & Wilbert, 2023; Meyer & Rowan, 1977; Nunes, 2024).

Additionally, the critical accounting line (CAL), grounded in Hopwood's (1976, 1983) studies, questions the neutrality of the budget, interpreting it as an instrument of power. In this sense, budget emphasis may trigger strategic reactions, such as slack, which is seen not only as inefficiency but also as a response to managerial impositions that ignore real working conditions (Chua, 1986; Power, 1997).

Therefore, combining these three approaches budgetary slack is a result of multiple perspectives: as opportunistic behavior (Agency Theory), as a reflection of the institutional environment (Institutional Theory), and as a political–social response to control mechanisms (critical accounting line) (Hopwood, 1972, 1976, 1983; Chua, 1986; Eisenhardt, 1989; DiMaggio & Powell, 2010; Scott, 2013; Power, 1997; Jensen & Meckling, 1976).

Public Budgeting in Brazil

The public budget is one of the central instruments of planning and control in public administration, enabling the allocation of resources according to social needs (Silva et al., 2021). Brazil follows a program-based model, grounded in the 1988 Federal Constitution and Complementary Law No. 101/2000, known as the Fiscal Responsibility Law (FRL). As a result, the Brazilian budget structure is composed of the Multi-Year Plan (Plano Plurianual – PPA), the Budget Guidelines Law (Lei de Diretrizes Orçamentárias – LDO), and the Annual Budget Law (Lei Orçamentária Anual – LOA), which articulate strategic goals, fiscal guidelines, and annual allocation of revenues and expenditures (Silva et al., 2021).

This model reflects an institutional environment that influences the behavior of budget actors. The Brazilian public budget is characterized by rigidity, low levels of social participation, strong political influence, and difficulties in aligning planning and execution, distinguishing it from practices in OECD countries. Although there is partial alignment with good practices, further improvements are still needed (Dias & Wilbert, 2023). Institutional Theory helps explain how public organizations are shaped by norms and seek legitimacy, with coercive isomorphism emerging from strict laws and regulations (Dias & Wilbert, 2023; DiMaggio & Powell, 2010; Meyer & Rowan, 1977; Scott, 2013).

Budget rigidity at the state level results from legally mandated permanent expenditures, which encourages the overestimation of expenditures and the underestimation of revenues, creating budgetary slack (Cavalcante & Oliveira, 2024; Silva et al., 2021). This situation is aggravated by the expansion of Mandatory Continuing Expenditures (MCE), which require legal authorization and financial compensation in accordance with the FRL.

The uncontrolled expansion of MCE contributes to budget rigidity and heightens risks to fiscal sustainability, even as it reinforces the budget as a tool for control and efficiency (Silva & Ramos Junior, 2025). In the same vein, Nunes (2024) notes that rigidity stemming from constitutional earmarking and mandatory expenditure limits the State's ability to implement countercyclical policies, leading to increased indebtedness and compromising long-term fiscal sustainability.

Budgetary Slack

Budgetary slack refers to the intentional or unintentional discrepancy between the budgeted resources and those required to achieve organizational goals (Dunk & Perera, 1997). It may result from estimation errors or deliberate manipulation of information by managers seeking safety margins or personal gain (Merchant, 1985; Webb, 2002). From the perspective of Agency Theory, slack is a consequence of information asymmetry between principal and agent, which gives rise to problems such as moral hazard and adverse selection (Eisenhardt, 1989; Jensen & Meckling, 1976).

The literature indicates that factors such as ambiguous goals, pressure for results, and specific organizational contexts may contribute to this behavior (Anjelias et al., 2024; Putri et al., 2024). Although budget participation and budget emphasis can reduce slack by improving transparency, they may also be used as mechanisms for manipulation—especially when incentives are poorly designed, or oversight is weak (Agustina & Suhaidar, 2021; Buzzi et al., 2014).

Moreover, contextual and individual variables such as organizational culture, ethics, self-efficacy, variable pay, and abusive supervision influence managers' propensity to create slack (Beuren & Verhagem, 2015; Schmidt, 2022). Thus, budgetary slack is a multifaceted phenomenon that combines behavioral, informational, and institutional dimensions, requiring an integrated approach for its understanding and management (Schmidt et al., 2023).

Budget Participation

Budget participation refers to subordinates' involvement in the definition and preparation of budgets and is linked to benefits such as higher motivation, alignment, and information sharing (Kyj & Parker, 2008; Milani, 1975). However, its effects can be ambiguous, especially in contexts with information asymmetry and misaligned incentives (Al Jasimee & Blanco-Encomienda, 2024; Bhilawa & Kautsar, 2018).

Although participation may reduce slack by promoting transparency (Zonatto et al., 2019), it can also be strategically used by managers to legitimize safety margins, particularly when they hold unshared information (Handoyo et al., 2022; Lavarda & Almeida, 2013). Studies indicate that participation is more effective at reducing slack when combined with high organizational commitment (Agustina & Suhaidar, 2021; Bhilawa & Kautsar, 2018).

Therefore, budget participation can either mitigate or foster slack creation, depending on the organizational context and the moderating variables involved. Based on this, the following hypothesis is formulated:

H1: Budget participation is negatively associated with the creation of budgetary slack in the public sector.

Budget Emphasis

Budget emphasis refers to the degree of importance organizations ascribe to meeting budget targets, involving monitoring, resource allocation, and performance evaluation (Buzzi et al., 2014; Hopwood, 1972). While it can increase transparency and efficiency, it may also encourage budgetary slack, especially under excessive pressure for results (Chua, 1986; Ehsan et al., 2023; Munawaroh et al., 2024).

Hopwood (1976, 1983) highlights that the budget is a political and social, rather than neutral, instrument, and excessive emphasis may generate defensive behaviors, such as overestimating expenditures (Buzzi et al., 2014). Studies indicate that when combined with inadequate incentives or high information asymmetry, an emphasis on budget can be used strategically to justify budgetary reserves (Beuren & Verhagem, 2015; Putri et al., 2024).

Nevertheless, when accompanied by clear goals and transparency, emphasis can reduce slack and strengthen public governance (Anjelias et al., 2024; Ekayanti & Putri, 2024). Individual and organizational factors such as self-efficacy and task uncertainty also influence this relationship (Al Jasimee & Blanco-Encomienda, 2024). Given this, we propose the following hypothesis:

H2: Budget emphasis is positively associated with the creation of budgetary slack in the public sector.

Organizational Commitment and Information Asymmetry

Organizational commitment is a key factor in managerial behavior, influencing decision-making in the budgeting process (Elrayah & Mabkhot, 2023). In contexts with high levels of Machiavellianism, individuals tend to prioritize their careers over the organization's interests, which may lead to the adoption of opportunistic practices, such as creating budgetary slack (Zettler et al., 2011). Yilmaz et al. (2014) show that managers with high organizational commitment are less likely to inflate forecasts or manipulate budget data, even in politically adverse environments, thereby mitigating the moral hazard highlighted by Agency Theory (Eisenhardt, 1989). Commitment, therefore, acts as a moderator, weakening the effect of budget emphasis on slack creation (Al Jasimee & Blanco-Encomienda, 2024; Nouri, 1994).

Additionally, commitment amplifies the positive effects of budget participation, fostering greater transparency and alignment with organizational objectives (Ariani & Budiasih, 2021; Bhilawa & Kautsar, 2018). Research indicates that, in scenarios with high budget pressure, committed managers tend to avoid opportunistic practices and reduce slack (Pusporini et al., 2018; Sukayana & Putri, 2019). Thus, the following hypotheses are proposed:

H3a: Organizational commitment moderates (weakens) the positive relationship between budget emphasis and the creation of budgetary slack.

H3b: Organizational commitment moderates (strengthens) the negative relationship between budget participation and the creation of budgetary slack.

Information asymmetry, according to Agency Theory, is one of the factors that hinders oversight and fosters slack creation, as agents hold privileged information relative to principals (Dunk, 1993; Eisenhardt, 1989; Jensen & Meckling, 1976). In the budgeting context, this asymmetry occurs when

middle managers have more knowledge about demands, costs, and risks than their superiors, enabling them to manipulate budget estimates (Anjeliasi et al., 2024; Buzzi et al., 2014; Ekayanti & Putri, 2024).

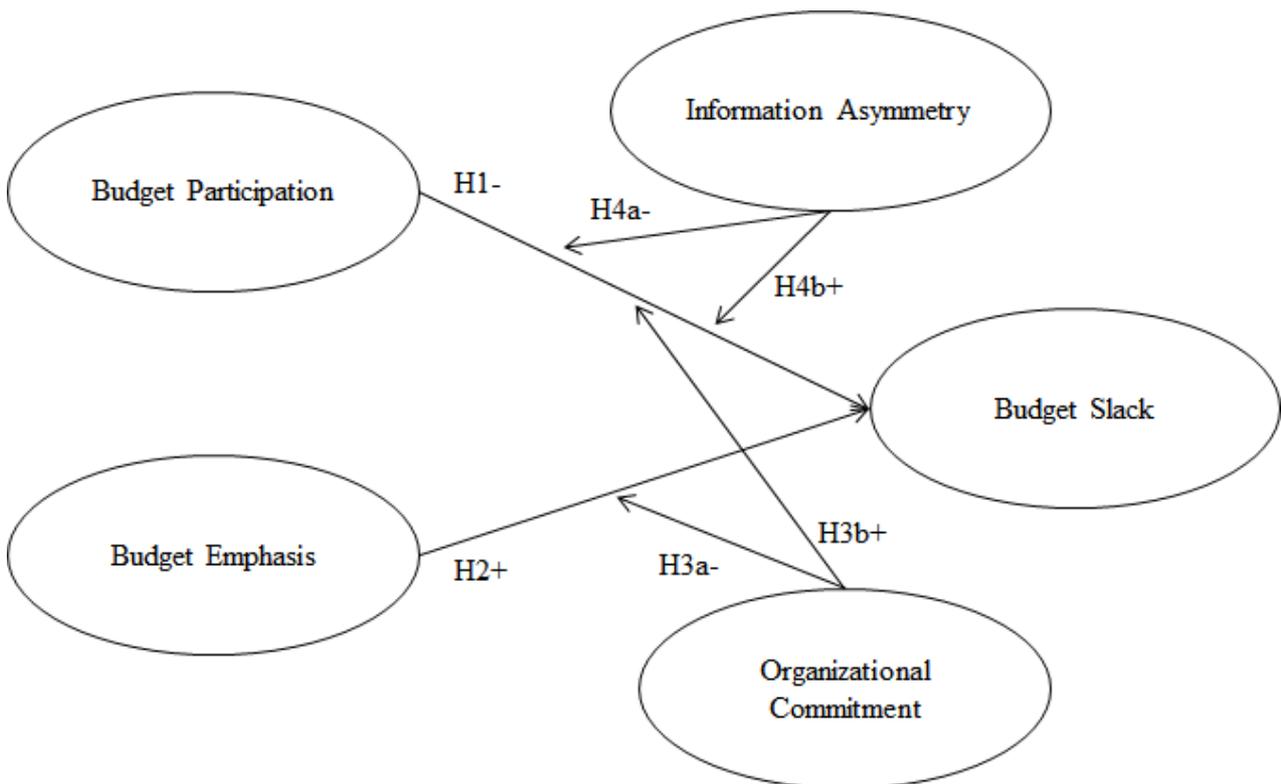
Even with budget participation, managers may exploit their informational advantage to legitimize budget reserves (Putri et al., 2024), particularly in environments characterized by high uncertainty or low transparency (Al Jasimee & Blanco-Encomienda, 2024; Sulistyawati et al., 2023). On the other hand, when mechanisms that reduce asymmetry are in place—such as clear targets, commitment, and greater transparency—budget manipulation tends to diminish (Zonatto et al., 2019). In light of this, we propose the following hypotheses:

H4a: Information asymmetry moderates (weakens) the negative relationship between budget participation and the creation of budgetary slack.

H4b: Information asymmetry moderates (strengthens) the positive relationship between budget emphasis and the creation of budgetary slack.

These hypotheses clearly outline the relationships under investigation, highlighting how organizational and individual variables interact within the dynamics of budgetary slack. Based on the theoretical foundation presented, Figure 1 summarizes the proposed theoretical model.

Figure 1: Theoretical model proposed



Source: Elaborated by the authors.

Methodological Procedures

This research employed a quantitative, descriptive approach, using a cross-sectional correlational design and collecting primary data through an online survey (Creswell & Creswell, 2021; Zangirolami-Raimundo et al., 2018). The study aimed to investigate the direct relationships and moderating effects of budget participation and budget emphasis on budgetary slack, while accounting for information asymmetry and organizational commitment as moderators.

The target population consisted of professionals working in the budget area of Brazilian public agencies, covering different governmental spheres and levels. The sample was non-probabilistic and based on accessibility. The statistical power analysis conducted used G*Power 3.1.9.7 (Faul et al., 2009; Ringle et al., 2023), indicating a minimum sample size of 68 respondents. The final sample of 116 participants, therefore, exceeded this requirement.

The sample profile is presented in Table 1. Notable features include the concentration of respondents in the North region (65.52%) and the high level of education (57.76% hold a lato sensu post-graduate degree). For the remaining characteristics, there is a balanced distribution among the established categories.

Table 1 – Sample characteristics

Description	Quantity	Percentage
Country's region		
North	76	65.52%
Southeast	18	15.52%
northeast	8	6.9%
Centre-West	8	6.9%
South	6	5.17%
Age		
From 18 to 25 years	2	1.72%
26 to 35 years	21	18.1%
36 to 45 years	49	42.24%
46 to 55 years	23	19.83%
More than 56 years	21	18.1%
Scholarity		
Basic Education	1	0.86%
Higher education	22	18.97%
Post-graduate (<i>lato sensu</i>)	67	57.76%
Post-graduation (<i>stricto sensu</i>) – Master's	22	18.97%
Post-graduation (<i>stricto sensu</i>) - Doctorate	4	3.45%
Time in the public services		
Menos de um ano	2	1.72%
1 to 5 years	9	7.76%
6 to 10 years	19	16.38%
11 to 15 years	24	20.69%
16 to 20 years	24	20.69%
21 to 25 years	9	7.76%
26 to 30 years	11	9.48%
More than 30 years	18	15.52%
Time with public budget		
Less than a year	8	6.9%
1 to 5 years	37	31.9%
6 to 10 years	29	25.0%
11 to 15 years	19	16.38%
21 to 25 years	10	8.62%
26 to 30 years	6	5.17%
16 to 20 years	4	3.45%
More than 30 years	3	2.59%

Source: Elaborated by the authors.

The electronic structured questionnaire consisted of two parts: sociodemographic characterization and scales to measure the study's constructs. All scales had been adapted and validated in previous studies and were applied using a five-point Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree). The constructs measured were: budgetary slack (Dunk, 1993), budget participation (Milani, 1975), budget emphasis (Hopwood, 1972), organizational commitment (Zettler et al., 2011), and information asymmetry (Dunk, 1993).

A pretest was conducted with 12 participants, resulting in minor adjustments to improve semantic clarity. Data collection took place between January 17 and March 27, 2025. Participants were invited via institutional emails, professional networks, and targeted WhatsApp groups to ensure geographic and institutional coverage. The process complied with the ethical guidelines outlined in Resolution 510/2016 of the Brazilian National Health Council, ensuring voluntariness, confidentiality, anonymity, and full disclosure of the research characteristics. Participation was conducted in accordance with informed consent procedures and formalized through an Informed Consent Form. The data collected were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM) with SmartPLS 4.1.1.1 (Bido & Silva, 2019; Hair et al., 2022; Ringle et al., 2023).

Model assessment was carried out in two stages. First, the validity of the measurement model was examined by assessing the constructs' convergent and discriminant validity. For convergent validity, we considered factor loadings (above 0.708), Cronbach's alpha, composite reliability (ρ_c and ρ_a), with values below 0.70 deemed inadequate, and the average variance extracted (AVE), with an acceptable lower bound of 0.50. Discriminant validity was assessed using the Heterotrait-Monotrait Ratio (HTMT), with a cutoff point below 0.85. All benchmark values are supported by Hair et al. (2022) and Sarstedt et al. (2022). In the second stage, the hypotheses were tested using the proposed structural model to analyze the specified direct and moderating effects (Ringle et al., 2023; Sarstedt et al., 2022).

Results Presentation and Analysis

Measurement Model Validation

The initial theoretical model consisted of 28 indicators distributed across the five central constructs of the research: Budget Participation (BP), Budget Emphasis (BE), Organizational Commitment (OC), Information Asymmetry (IA), and Budgetary Slack (BS). During the evaluation of the measurement model, seven indicators with factor loadings below the cutoff point of 0.708—OC5, OC6, BE2, BS1, BS2, BS3, and BS6—were removed from the model, in line with the recommendations of Hair et al. (2022). The remaining variables are shown in Table 2.

The removal of these indicators intended to improve the reliability and validity of the model without compromising the theoretical coherence of the constructs. It is essential to note that, following these adjustments, all constructs retained at least three indicators with adequate factor loadings, thereby meeting the minimum criterion for measurement stability in reflective models (Hair et al., 2022). In addition, some indicators with loadings between 0.40 and 0.70 were retained as long as ρ_c values (greater than 0.70) and AVE (above 0.50) remained satisfactory, following the methodological criteria proposed by Bido and Silva (2019) and Hair et al. (2022).

Table 2 – External Loadings

Constructs	Variables		Factor Loading
Information Asymetry	IA1	In comparison with your superior, who is in possession of better information regarding the activities undertaken in your area of responsibility?	0,792
	IA2	In comparison with your superior, who is more familiar with the input-output relationships inherent in the internal operations of your area of responsibility?	0,854
	IA3	In comparison with your superior, who is more certain of the performance potential of your area of responsibility?	0.914
	IA4	In comparison with your superior, who is more familiar technically with the work of your area of responsibility	0.876
	IA5	In comparison with your superior, who is better able to assess the potential impact on your activities of factors external to your area of responsibility?	0.808
	IA6	In comparison with your superior, who has a better understanding of what can be achieved in your area of responsibility	0.861
Organizational Commitment	OC1	I would be happy to spend the rest of my career with this organization.	0.597
	OC2	I'm proud to be part of this organization.	0.854
	OC3	This organization has a great deal of personal meaning for me.	0.859
	OC4	I think my personal values are congruent to those held by the organization.	0.811
Budget Emphasis	BE1	A budget-constrained supervisor aims to stay right on his budget	0.515
	BE3	High management believes that putting pressure on the management team brings benefits	0.895
	BE4	If a supervisor does not meet the budget, he is often replaced.	0,703
Budget Slack	BS4	Budgetary targets have not caused me to be particularly concerned with improving efficiency in my area of responsibility.	0.822
	BS5	Targets incorporated in the budget are difficult to reach.	0.904
Budget Participation	BP1	The portion of the budget that the foreman was involved in setting	0.841
	BP2	The kind of reasoning provided to the foreman by a superior when the budget is revised	0.718
	BP3	The frequency of budget-related discussions initiated by the foreman	0.810
	PB4	The amount of influence the foreman felt he had on the final budget	0.730
	BP5	The importance of the foreman's contribution to the budget	0.828

Source: Elaborated by the authors.

The analysis of convergent validity, summarized in Table 3, showed that the constructs IA, OC, and BP exhibited high levels of internal consistency, with Cronbach's alpha, composite reliability, and AVE values above the recommended minimum thresholds. For BE and BS, although Cronbach's alpha values were slightly below 0.70 (0.604 and 0.666, respectively), the composite reliability and AVE indicators were above their cutoff points ($\rho_c > 0.70$ and $AVE > 0.50$), justifying their retention in the model, as advocated by Hair et al. (2022).

Table 3 – Reliability and convergent validity

Construct	Mean	Standard Deviation	Cronbach's Alpha	Composit Reliability (rho_a)	Composit Reliability (rho_c)	Average Vafaiance Extracted (AVE)
IA	3.292	1.200	0.924	0.932	0.941	0.726
OC	4.196	0.812	0.806	0.854	0.865	0.620
BE	2.540	0.928	0.604	0.734	0.756	0.520
BS	2.082	1.142	0.666	0.702	0.854	0.746
BP	3.460	1.069	0.847	0.860	0.890	0.619
Obs.:			>0.7	>0.7	>0.7	>0.5

Note: IA – Information Asymmetry; OC – Organizational Commitment; BE – Budget Emphasis; BS - Budget Slack; and BP - Budget Participation.

Source: Elaborated by the authors.

The descriptive data in Table 3 reveal a tendency toward neutrality in respondents' perceptions regarding budget participation (mean = 3.460), budget emphasis (mean = 2.540), and information asymmetry (mean = 3.292). Organizational commitment displayed a higher mean (4.196), suggesting that public servants have an identification with their institutions. By contrast, budgetary slack showed a lower mean (2.082), indicating a general perception that budget targets are not excessively relaxed. The high standard deviation for some constructs reveals heterogeneity in respondents' opinions, reinforcing the complexity of the topic across distinct public-sector contexts.

Based on these results, we conclude that the measurement model exhibits reliability and convergent validity, enabling the assessment of discriminant validity. Discriminant validity—understood as the extent to which a construct is empirically distinct from the other components of the model—was evaluated using the HTMT criterion. As shown in Table 4, all coefficients fell below the threshold of 0.85, confirming the presence of discriminant validity among the constructs. Values below 0.90 are still acceptable for similar constructs, which does not apply to the present model. These results ensure the empirical distinction of the constructs and lend robustness to the measurement model, allowing us to move forward to the structural analysis (Hair et al., 2022; Ringle et al., 2023; Sarstedt et al., 2022).

Table 4 – Validade discriminante - HTMT (Henseler et al. (2015))

Construct	IA	OC	BE	BS	BP
IA					
OC	0.177				
BE	0.296	0.201			
BS	0.318	0.313	0.376		
BP	0.348	0.150	0.174	0.183	

Note: IA – Information Asymmetry; OC – Organizational Commitment; BE – Budget Emphasis; BS - Budget Slack; and BP - Budget Participation.

Source: Elaborated by the authors.

Structural Model Analysis

With construct validity established, we proceeded to evaluate the structural model, aiming to test the research hypotheses. We analyzed standardized coefficients (β), significance values (p -values), t -statistics, effect sizes (f^2), and variance inflation factors (VIF), in accordance with the methodological criteria outlined by Hair et al. (2022). Table 5 presents the estimated direct effects.

Table 5 – Direct effects

Relation	β	Standard Deviation	Statistic t	p-value	Hipotesis	Conclusion
BP → BS	-0.208	0.157	1.325	0.185	H1-	Not Confirmed
BE → BS	0.197	0.101	1.957	0.050	H2+	Confirmed

Note: BE – Budget Emphasis; BS - Budget Slack; and BP - Budget Participation.

Source: Elaborated by the authors.

Hypothesis H1, which posited a negative effect of budget participation on budgetary slack, was not supported ($\beta = -0.208$; $p = 0.185$). This result suggests that the involvement of public servants in the budgeting process, by itself, is not sufficient to reduce the perception of budgetary slack, possibly due to the rigid and centralized normative context that characterizes the Brazilian public budget, which limits the effects of merely formal participation.

By contrast, Hypothesis H2—predicting a positive effect of emphasis on budget fulfillment on budgetary slack—was supported ($\beta = 0.197$; $p = 0.050$), showing that management strongly oriented toward budget targets may foster defensive behaviors, such as intentionally inflating estimates to ensure target achievement. These findings are consistent with the literature that associates budget pressure practices with dysfunctional strategies (Hair et al., 2022).

The effect size (f^2) analysis indicated that the relationship BE → BS has a small effect ($f^2 = 0.060$), whereas the relationship BP → BS has a negligible effect ($f^2 = 0.011$). VIF values, which ranged from 1.000 to 1.161, were below the limit of 5.0, indicating the absence of multicollinearity among predictors (Bido & Silva, 2019).

The analysis of moderating hypotheses did not reveal significant effects. The interactions of Organizational Commitment (OC) and Information Asymmetry (IA) with BP and BE in predicting BS were not statistically significant ($p > 0.05$), as shown in Table 6. These results suggest that none of the moderating variables significantly altered the main relationships in the model. That may indicate perceptual homogeneity owing to the specific characteristics of the public budgeting context among respondents or the need to incorporate additional variables to capture potential conditional effects.

Table 6 – Indirect effects

Relation	β	Standard Deviation	Statistic t	p-value	Hipotesis	Conclusion
OC × BE → BS	0.172	0.116	1.486	0.137	H3a-	Not Confirmed
OC × BE → BS	0.213	0.127	1.672	0.094	H3b+	Not Confirmed
IA × BP → BS	-0.109	0.096	1.136	0.256	H4a-	Not Confirmed
IA × BP → BS	0.149	0.111	1.341	0.180	H4b+	Not Confirmed

Note: IA – Information Asymmetry; OC – Organizational Commitment; BE – Budget Emphasis; BS - Budget Slack; and BP - Budget Participation.

Source: Elaborated by the authors.

The coefficient of determination (R^2) for Budgetary Slack was 0.290, with an adjusted R^2 of 0.237, indicating moderate explanatory power, consistent with the multidimensional complexity of the phenomenon under investigation. Predictive power was assessed using the Stone-Geisser Q^2 index, which yielded a value of 0.092. Although modest, this value indicates satisfactory predictive capacity, as established by Hair et al. (2022). Additionally, the Cross-Validated Predictive Ability Test (CVPAT) was applied, as recommended by Sharma et al. (2023). The results (Table 7) showed that, compared with the indicators' average (IA), the model did not present statistically significant prediction. However, when compared with the linear model (LM), the difference was significant, indicating that the proposed model has higher predictive power than traditional multiple linear regression, which reinforces the adequacy of PLS-SEM in capturing non-trivial latent relationships among the analyzed constructs.

Table 7 – Model's prediction power –CVPAT

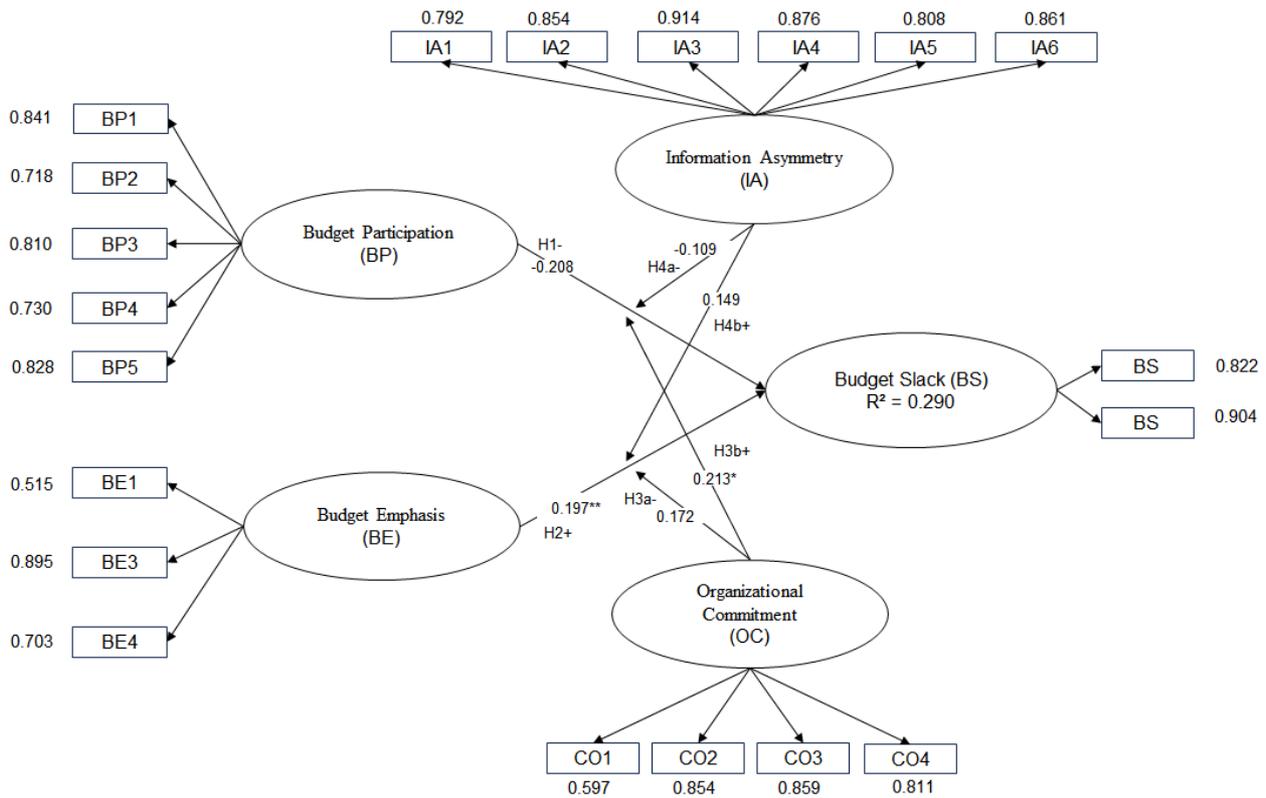
	Indicators Average (IA)			Linear Model (LM)		
	Difference	t-value	p-value	Difference	t-value	p-value
BS	-0.104	0.686	0.494	-0.274	1.996	0.048

Note: BS – Budget Slack.

Source: Elaborated by the authors.

Finally, Figure 2 presents the structural model and its results. The findings reinforce the complexity of the budgetary slack phenomenon and open room for discussion.

Figure 2: Structural model results



Obs.: ** p-value<0,05; *p-value<0,10.

Source: Elaborated by the authors.

Discussion

The analysis of the empirical findings revealed that, among the factors investigated, only budget emphasis had a statistically significant effect on the creation of budgetary slack, reinforcing the relevance of Hopwood's (1976, 1983) critical accounting line regarding the behavioral effects of control tools. In contrast, budget participation had no significant impact, and the variables organizational commitment and information asymmetry did not exhibit moderating roles.

The lack of support for Hypothesis H1 indicates that the formal participation of public servants in the budgeting process, although desirable, does not automatically reduce budgetary slack. This finding contrasts with studies such as Lavarda and Almeida (2013) and Zonatto et al. (2019), which suggest that active participation could mitigate information asymmetry and curb opportunistic practices. A plausible explanation for this divergence lies in the institutional nature of the Brazilian public sector, where centralization and normative rigidity turn participation into a merely consultative mechanism, as argued by Dias and Wilbert (2023), DiMaggio and Powell (2010), and Purwandari et al. (2023). This phenomenon echoes the coercive isomorphism described by Meyer and Rowan (1977), in which participatory practices

are adopted to legitimize the process but do not necessarily produce substantive effects on resource allocation or the control of opportunistic behavior.

Conversely, the confirmation of Hypothesis H2 indicates that budget emphasis contributes to increased budgetary slack. This result is consistent with the literature (Dunk, 1993; Beuren & Verhagem, 2015) and with critical approaches such as Hopwood's (1976), which posit that when the budget is used as a rigid control instrument, it induces defensive behaviors and self-protection strategies. In this context, slack emerges as a response to target pressure, especially when targets are perceived as unattainable. Chua's (1986) critique of accounting neutrality also supports this view, emphasizing that power relations permeate budgetary control instruments.

Moderating hypotheses H3a and H3b, which investigated the role of organizational commitment, were not supported. Although there is evidence of organizational commitment among public servants, as indicated by Agustina and Suhaidar (2021) and Sarwendhi (2021), this predisposition was not reflected in the modulation of relationships among the main variables. This suggests that, even where commitment is declared, structural constraints and the symbolic nature of budget participation prevail over individual behavioral factors, as noted by Meyer and Rowan (1977).

Similarly, Hypotheses H4a and H4b, which addressed the moderating role of information asymmetry, were not confirmed. Although studies such as Pusporini et al. (2018) highlight asymmetry as a catalyst for slack, its moderating effect did not emerge in the present study. One plausible explanation is the homogeneity of the sample, which is composed of specialized technical staff, potentially reducing the perception of information disparities. Furthermore, institutional channels of communication and electronic planning systems may have helped mitigate this effect, as suggested by Anjeliasi et al. (2024).

It is essential to highlight that the institutional constraints of the Brazilian public budget—characterized by high normative rigidity and growth in MCE—directly impact the context under analysis. These constraints reduce fiscal flexibility and make participation and control mechanisms less effective, as discussed by Silva and Ramos Junior (2025), and Nunes (2024).

The coefficient of determination (R^2) of 0.238 indicates that the variables analyzed moderately explain the variance in budgetary slack. Although the predictive power is modest ($Q^2 > 0$), it confirms the model's ability to anticipate the dependent variable. These findings reinforce the complexity of the phenomenon and the need to incorporate new constructs in future research.

Overall, the results suggest that strategies for mitigating budgetary slack must go beyond formal participation and target-based control. It is essential to build institutional environments that foster genuine engagement, shared values, and organizational integrity, as proposed by Schmidt et al. (2023) and Yakub et al. (2022). Additionally, we must acknowledge the possibility of conscious or unconscious denial of slack, as evidenced by the tendency for participants' responses to disagree.

In summary, the study reinforces that budgetary slack is a multifaceted phenomenon whose understanding requires combining critical, institutional, and behavioral approaches, recognizing accounting as a socially constructed and politically shaped instrument (Hopwood, 1976; Chua, 1986).

Final Considerations

The results indicate that, contrary to part of the literature, budget participation did not exert a statistically significant influence on the creation of budgetary slack. This finding suggests a possible disconnect between formal participatory mechanisms and their practical effectiveness, especially in institutionally rigid contexts such as public budgeting. Participation may be viewed as a symbolic or legitimizing instrument that primarily serves to meet formal requirements rather than to effectively change the decision-making processes. The Brazilian public budget—characterized by extensive regulation, centralization, and strong coercive isomorphism—creates an environment in which participation tends to be consultative rather than deliberative, limiting its role as a mechanism for controlling budgetary slack.

Budget emphasis, on the other hand, showed a positive and significant relationship with slack creation, confirming the hypothesis that environments with intense target pressure and managerial control induce defensive behaviors in managers. In this context, budgetary slack can be understood as a strategic response to organizational pressure, functioning as a mechanism of self-protection, resistance, or legitimate manipulation of the formal structure to manage risks and expectations.

Regarding the moderating variables, the data did not confirm the moderating effects of organizational commitment and information asymmetry on the relationships among the model's central variables. The homogeneity of the sample—comprising technical public servants working with budgets—may have limited the perceived asymmetries in information. Likewise, strict fiscal rules and dominant formal institutions may have overshadowed the effects of individual behavioral factors.

Taken together, these results highlight the influence of institutional conditions on the public budgeting process. Elements such as normative rigidity, earmarked revenues, the prevalence of MCE, centralized decision-making, and a management culture focused on short-term targets compromise budgetary flexibility and limit discretionary managerial action. This institutional scenario reduces the effectiveness of participation mechanisms and increases the likelihood that slack-creation practices will be adopted as a means of accommodating organizational pressures.

The main theoretical contribution of this study lies in articulating three explanatory strands—Agency Theory (Jensen & Meckling, 1976; Eisenhardt, 1989), Institutional Theory (Meyer & Rowan, 1977; DiMaggio & Powell, 2010), and Hopwood's (1976, 1983) critical accounting line—to understand budgetary slack not only as the outcome of individual opportunism but also as a phenomenon influenced by rigid institutional structures and power dynamics. The empirical analysis confirms that budget emphasis is a determinant of slack creation, while participation, when merely symbolic, does not alter the behavior of agents.

From a practical standpoint, the findings offer relevant implications for public administration. Recognizing that target pressure can induce dysfunctional behaviors suggests the need to strike a balance between control and autonomy in budget management. It is essential that participatory instruments be strengthened beyond their formal character, promoting genuine engagement and shared responsibility in the budget formulation process. The importance of revisiting structural mechanisms is also underscored, such as redesigning the MCE and strengthening the Multi-Year Plan (PPA) to expand decision-making margins and enhance the effectiveness of medium-term planning.

Furthermore, the results highlight the relevance of integrity programs, continuous monitoring systems, and internal audits focused on budgetary slack practices as means of mitigating dysfunctional behaviors and improving the quality of public spending. In this context, accounting should be understood not only as a technical instrument but also as a governance and accountability device with a strong capacity to shape the behavior of agents.

Among the study's limitations, we note the non-probabilistic sample restricted to budget officials, which may limit the generalization of the results to other institutional profiles. The cross-sectional design also constrains the robustness of causal inferences. Nevertheless, the tested model exhibited moderate explanatory power and satisfactory predictive power, justifying its use as a basis for future investigations.

Future research is encouraged to broaden the sample to include different governmental spheres and entities, as well as to incorporate additional contextual variables such as organizational culture, leadership style, decision-making structures, and institutional incentives. Longitudinal and qualitative studies may contribute to a deeper understanding of the motivations, perceptions, and strategies adopted by public managers in the face of budgeting challenges. Advancing this field can help refine control and planning mechanisms, strengthening the State's capacity to allocate resources efficiently, effectively, and transparently.

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