

Procurement of Goods and Services and Supervision on Budget Absorption

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Abstract: This study aims to analyze the impact of procurement of goods and services and supervision on budget absorption at the Public Works and Spatial Planning Agency (PUPR) of Gorontalo Regency. This study seeks to explain how the effectiveness of procurement and supervision can affect the level of public budget realization, which reflects the performance of regional financial management. This study uses a quantitative, survey-based approach. Primary data was collected through questionnaires distributed to 33 respondents and analyzed using multiple linear regression. Validity, reliability, and classical assumption tests were conducted to ensure the model's accuracy. The results show that procurement of goods and services has a positive but insignificant effect on budget absorption, while supervision has a positive and significant impact. Simultaneously, both significantly affect the effectiveness of budget absorption. These findings reinforce the view that efficient procurement management and adequate supervision are essential elements in supporting local government fiscal accountability.

Keywords: Procurement Of Goods And Services; Oversight; Budget Absorption; Public Accountability; Budget Effectiveness.

Abstrak: Penelitian ini bertujuan untuk menganalisis dampak pengadaan barang dan jasa serta pengawasan terhadap penyerapan anggaran di Badan Pekerjaan Umum dan Perencanaan Ruang (PUPR) Kabupaten Gorontalo. Penelitian ini berusaha menjelaskan bagaimana efektivitas pengadaan dan pengawasan dapat mempengaruhi tingkat realisasi anggaran publik, yang mencerminkan kinerja pengelolaan keuangan daerah. Penelitian ini menggunakan pendekatan kuantitatif berbasis survei. Data primer dikumpulkan melalui kuesioner yang dibagikan kepada 33 responden dan dianalisis menggunakan regresi linier berganda. Uji validitas, reliabilitas, dan asumsi klasik dilakukan untuk memastikan akurasi model. Hasil menunjukkan bahwa pengadaan barang dan jasa memiliki dampak positif namun tidak signifikan terhadap penyerapan anggaran, sementara pengawasan memiliki dampak positif dan signifikan. Secara bersamaan, keduanya secara signifikan mempengaruhi efektivitas penyerapan anggaran. Temuan ini memperkuat pandangan bahwa manajemen pengadaan yang efisien dan pengawasan yang memadai merupakan unsur penting dalam mendukung akuntabilitas fiskal pemerintah daerah.

Kata Kunci: Pengadaan Barang Dan Jasa; Pengawasan; Penyerapan Anggaran; Akuntabilitas Publik; Efektivitas Anggaran.

INTRODUCTION

Indonesia's economy has faced challenging dynamics in recent years amid shifts in the global economic landscape. The 2019 slowdown shook stability, but policy coordination among the government, Bank Indonesia, and related authorities kept growth resilient while laying the foundation for long-term transformation. Entering 2020, the risks posed by COVID-19 demanded efficiency and effectiveness in budget management to ensure that growth remained inclusive and sustainable (Purnamawati & Yuniarta, 2021:



37). At the fiscal governance level, developing countries often experience a slow and backloaded pattern—low spending realization at the beginning and a sharp increase at the end of the year—which indicates structural problems in each phase of the public spending cycle (World Bank in Sitepu et al., 2024). The normative framework emphasizes that state and regional budgets must be managed openly and responsibly to ensure the greatest prosperity for the people (Law No. 28 of 2022). Budget absorption—the realization of allocations in line with objectives—is an indicator of performance (Hidayat, 2022) while the procurement of goods and services is a crucial stage, from the identification of needs to the handover of work results (Presidential Regulation No. 12 of 2021). In the regional context, the Gorontalo Regency Public Works and Spatial Planning Agency (PUPR) has a mandate to provide strategic infrastructure services. However, the 2020 to 2024 implementation has not reached the optimal target of 95 per cent as stipulated in the performance standard (PMK No. 258/PMK.02/2015). Absorption of 88.760 per cent (2020) fell sharply to 46.350 per cent (2021) due to cash shortages and low local revenue; recovered to 83.020 per cent (2022), slightly declined to 82.000 per cent (2023), and 82.370 per cent (2024). These data indicate obstacles in the procurement process (weather, budget delays, equipment limitations) and supervision (coordination, number, and capacity of supervisors) that hindered optimization of absorption. Empirically, internal procurement and supervision have been proven to influence absorption, emphasizing the urgency of improving governance at the operational level.

Empirical studies on the procurement of goods and services show a predominantly positive trend in budget absorption. Several studies, such as Junaidi et al. (2023), Frankoe (2021), Imelda et al. (2022), and Belisca et al. (2023), involving more than 600 participants from various government agencies in Indonesia, found a significant positive relationship between procurement implementation—including the application of e-procurement, procurement planning, and manager competence—and increased budget absorption. Effective procurement is believed to accelerate the realization of public spending, prevent year-end activity accumulation, and reduce the risk of project delays. However, Lemana et al. (2025) found different results: procurement of goods and services did not have a significant effect on budget absorption across several Indonesian ministries, suggesting institutional variation and differences in implementation efficiency among government agencies. Studies that explicitly examine the relationship between variable X (procurement of goods and services) and variable Y (budget absorption) also provide diverse findings. Ramadhani & Setiawan (2019) and Ani et al. (2020) both prove that procurement has a significant positive effect on budget absorption in local government, while Krisdiyanawati et al. (2020) found no significant effect in Malang City. Ardianne et al. (2020) and Wibowo (2019) emphasize the importance of procurement professionalization to improve budget efficiency. In addition, supervision has been shown to significantly affect budget absorption (Fadlila, 2024), particularly when supported by management commitment and an effective internal supervision system (Okniafita & Handayani, 2022).

Although previous studies have shown that procurement of goods and services and supervision affect budget absorption, the empirical results have not been consistent across agencies and regions. Some studies, such as those conducted by Ramadhani & Setiawan (2019) and Ani et al. (2020), found a significant positive effect between procurement and budget absorption. However, Krisdiyanawati et al. (2020) and Lemana (2025) reported different findings: no significant influence, suggesting that the relationship between the two variables may be influenced by contextual factors such as fiscal capacity, planning



capabilities, or the effectiveness of the oversight system. Theoretically, this suggests that the model of a direct relationship between procurement and budget absorption may not fully explain empirical variations, especially at the local government level, where resources are limited and bureaucratic complexity is high. From the oversight perspective, most studies still place this variable as a supporting factor without explaining in depth its mechanism of influence on budget absorption. Studies such as those conducted by Krisdiyawanawati et al. (2020) show a significant positive effect, but other studies have not integrated oversight as a strategic variable in the budget management process. Thus, there is a research gap in understanding how procurement of goods and services and oversight work simultaneously to improve the effectiveness of budget absorption, particularly in local public organizations such as the Gorontalo Regency Public Works and Spatial Planning Agency (PUPR).

The novelty of this study lies in its focus on the simultaneous analysis of goods and services procurement and supervision in the context of budget absorption at the local government level, particularly at the Public Works and Spatial Planning Agency (PUPR) of Gorontalo Regency. (Maulana, & Methodius, 2025) Unlike previous studies, which generally highlight one variable at a time or focus on central agencies, this study integrates both variables to explain how the synergy between procurement efficiency and supervision effectiveness can optimally increase budget absorption. In addition, this study broadens theoretical understanding by positioning supervision not only as an administrative function but also as a strategic control mechanism that determines the success of budget implementation. This approach provides a new perspective on the relationship between procurement governance and regional fiscal performance, while emphasizing the importance of transparency, accountability, and institutional capacity in the public budget implementation process. Thus, the purpose of this study is to analyze the influence of procurement and supervision of goods and services on budget absorption at the Gorontalo Regency PUPR Office, in order to provide empirical recommendations to strengthen regional financial governance and improve the effectiveness of sustainable infrastructure development policy implementation.

THEORETICAL REVIEW

Stakeholder Theory. The Stakeholder Theory was first introduced by R. Edward Freeman in 1984 in his work *Strategic Management: A Stakeholder Approach*, which emphasizes the importance of stakeholders in determining an organization's direction and success (Freeman, 2010). The Stakeholder Theory holds that every organization cannot stand alone but depends on complex relationships among various parties with an interest in the organization's goals and sustainability. In its classical view, this theory asserts that organizations are not only responsible to capital owners, but also to all parties involved or affected by their activities, either directly or indirectly (Setyowati et al., 2025). These parties include investors, suppliers, customers, the government, employees, and the wider community. In the public sector, this theory is used to understand how the government, as a public service entity, must attend to the interests of the community and ensure that policies advance public welfare. According to Mohamed et al. (2024), stakeholder theory in the public sector emphasizes accountability and transparency in governance, as the community serves as the primary stakeholder entitled to benefit from development policies



and programs. This approach views public participation not merely as an administrative complement, but as a key element in creating legitimacy and trust in government institutions.

Stakeholder theory also helps explain the collaborative relationships among various social actors in the development process. As stated by Safrida et al. (2022), the success of a development program, at both the national and regional levels, is highly dependent on the synergy among the government, the community, and other interest groups involved in decision-making. The study highlights how stakeholder involvement in empowering local communities can enhance the effectiveness of public policy. Asserts that stakeholder participation in village-level development planning creates a sense of ownership of government programs and strengthens social responsibility in their implementation. This aligns with the views of Leni & Akhbar (2024), who argue that the involvement of policy actors in the development of tourist destinations in Semarang Regency plays an important role in optimizing local potential and ensuring economic and social benefits for the local community. Thus, stakeholder theory does not only focus on identifying who the interested parties are, but also on how the relationships between these parties are managed in a fair, collaborative, and mutually interest-oriented manner.

In its development, stakeholder theory has expanded in meaning from the corporate realm to the public and social sectors, where responsibility is measured not only by economic results but also by contributions to community welfare. (Putri & Ausath (2024) explain that applying this theory to social responsibility practices requires organizations to balance economic interests and social values. This principle also applies to public institutions, which must ensure that every policy and use of public resources provides optimal benefits for the community. Setyowati et al. (2025) add that the success of public program funding and management depends heavily on effective stakeholder involvement, as this increases institutional and operational commitment to governance. In the context of local government, research conducted by IPDN (2022) on the management of Village-Owned Enterprises (BUMDes) shows that the success of local institutions is primarily determined by active collaboration between village governments, communities, and the private sector. By integrating the values of participation, accountability, and transparency as emphasized in stakeholder theory, public organizations can strengthen public trust and realize sustainable governance.

Budget. A budget is a plan systematically compiled in numerical form and expressed in monetary units to describe an organization's activities for a specific period in the future. Because it is compiled in monetary units, a budget is often referred to as a financial plan that serves as a guideline for planning, control, and decision-making. According to Fuad et al. (2020), a budget is a tool for measuring an organization's activities' efficiency and effectiveness through monetary units. Based on Law Number 17 of 2003 concerning State Finances and Law Number 23 of 2014 concerning Regional Government, as revised by Law Number 9 of 2015, the Regional Revenue and Expenditure Budget (APBD) is an annual financial plan of the regional government prepared and ratified through regional regulations. In the context of organizations, Suku et al. (2021) emphasize that budgets are important tools for planning, managing, and making decisions because they cover all activities to be carried out and link every part of the organization in achieving common goals. Therefore, budgets are not only administrative tools but also strategic instruments that ensure synchronization between vision, policy, and the implementation of operational activities.



The purpose of budgeting is basically to predict future financial and non-financial transactions and events, while also developing information that is relevant to decision makers. The budget serves to clearly set company goals, communicate management expectations to all relevant parties, coordinate resources, and measure individual and group performance. Sumiyana et al. (2023) add that budgeting encourages managers to think proactively about change, serves as a benchmark for evaluation, improves interdepartmental coordination, and supports decision-making. Meanwhile, according to Sturman et al., (2025), the objectives of budgeting include planning, coordination, motivation, and control, as a budget enables management to set targets, evaluate results, and adjust policies to achieve optimal efficiency. The characteristics of a budget include an estimate of potential profits, expressed in monetary terms, covering a period of one year, and constituting a management commitment approved by higher authorities. Based on the intensity of their preparation, budgets are divided into partial and comprehensive budgets; based on their flexibility, they are divided into fixed and continuous budgets; and, based on their time period, they are divided into short-term and long-term budgets (Fuad et al., 2020). As a tool for planning, coordination, and supervision, budgets have important functions as described by Asman (2022), namely providing policy direction, serving as guidelines for interdepartmental work, and functioning as a control tool to assess the suitability of implementation with the plan. In addition, Article 3, Paragraph 4 of Law No. 17 of 2003 emphasizes six main functions of the budget, namely authorization, planning, supervision, allocation, distribution, and stabilization—all of which are aimed at supporting the effectiveness of fiscal policy and maintaining national economic balance.

The advantages of a budget lie in its ability to serve as a tool for analyzing historical data, a work guideline, a means of coordination, a source of accountability, and a basis for managerial evaluation. However, its weaknesses include prediction uncertainty, conflicts of interest, and subjectivity in its preparation. In the context of government, budget absorption is a key indicator of the effectiveness of public activities. Rahmawati & Ishak (2020) explain that budget absorption reflects local governments' ability to realize planned expenditure allocations. Hidayat et al. (2022) add that budget absorption is part of the state budget cycle, an indicator of public manager performance because it has a multiplier effect on economic growth. Budget absorption is the implementation of actual programs in accordance with the established plan. Thus, budget absorption reflects the effectiveness of work units in realizing development plans and their contribution to regional economic stability. Optimizing budget absorption is very important because, in addition to demonstrating good managerial performance, it also ensures that public funds are used productively to provide maximum benefits for development and community welfare.

According to Bastian (2006), budget absorption indicators include three main aspects, namely supervision, realization analysis, and end-of-year evaluation. Supervision is carried out to ensure that the use of the budget is in accordance with the plans, provisions, and program priorities that have been set, through periodic financial statement audits, assessments of the suitability of the budget with respect to activity priorities, and assessments of the timeliness and implementation procedures. Budget realization analysis assesses the extent to which performance achievements align with the approved budget by comparing expenditure realization with performance targets, for example, in infrastructure projects and health programs. If there are significant deviations, potential problems in implementation or financial management are identified. Furthermore, an end-of-year budget evaluation is conducted to assess whether budget objectives have been achieved



and to identify the causes of suboptimal budget absorption, such as bureaucratic obstacles, delays in procuring goods and services, or administrative constraints. This evaluation also serves to ensure that the budget is used to deliver tangible benefits to the community, such as the timely completion of infrastructure projects and the practical implementation of social welfare programs, thereby making these three indicators important benchmarks for assessing the effectiveness, efficiency, and accountability of government budget management.

Procurement of Goods and Services. Procurement of Goods and Services is a strategic process in state financial management that covers all stages from planning requirements to handover of work results. According to Presidential Regulation No. 12 of 2021, procurement of goods and services is defined as activities carried out by ministries, institutions, or regional apparatuses financed by the state budget or regional budget, to obtain goods, construction work, consulting services, or other services in an efficient, effective, transparent, and accountable manner. In practice, procurement is not merely an administrative process but also an important instrument for achieving quality development outcomes and inclusive economic growth. Fadlila (2024) emphasizes that public procurement governance plays a direct role in the performance of government agencies, because good procurement not only produces goods/services that meet needs, but also reflects the capacity of institutions to implement the principles of efficiency and accountability. Similarly, Bosio et al. (2022), in a cross-country study, confirm that the effectiveness of public procurement regulations is positively correlated with increased transparency, bureaucratic efficiency, and fiscal accountability. Therefore, a strong procurement system is a key element in creating clean, efficient, and responsive governance.

The development of the procurement system in Indonesia shows significant transformation, particularly through the application of information technology such as e-procurement and e-catalogues. Parida et al. (2024) argue that the Balanced Scorecard approach to measuring government procurement performance enables evaluation from multiple perspectives, including finance, internal processes, and innovation. Through this digital system, the tender process becomes more transparent, reduces the risk of irregularities, and speeds up project implementation. A study by Gumilar et al. (2023) highlights the importance of strengthening budget support for the use of domestic products (PDN) in local government procurement, which not only promotes public spending efficiency but also strengthens the local economy. Dwijayanti (2025), who points out that modernizing electronic catalog systems requires integrity and compliance with legal procurement regulations. Thus, the digitization of procurement is a tangible manifestation of bureaucratic reform that emphasizes efficiency, service speed, and public accountability.

Apart from efficiency and technology, the success of goods and services procurement also depends heavily on human resource capacity and institutional structure. Research by Nurhikmahyanti (2024) highlights that improving human resource competence in procurement is crucial to strengthening national competitiveness, as the procurement process involves not only provider selection but also negotiation skills, needs analysis, and performance evaluation. The efficiency of the public procurement system has also increased with the support of decentralization policies, which give local governments greater authority to manage procurement in line with local needs. A study by Muharram et al. (2025) shows that implementing e-procurement at the DKI Jakarta Environment



Agency has increased procurement efficiency and effectiveness by shortening tender timelines and reducing administrative costs. Meanwhile, research by Nurhikmahyanti (2024) on procurement resource development strategies emphasizes the importance of inter-agency synergy and improvements in policy management to strengthen national procurement governance.

Supervision. Oversight is a systematic managerial process designed to set standards, monitor implementation, compare actual performance with plans, and apply corrective measures to ensure that organizational goals are achieved effectively and efficiently. In the public sector, oversight not only ensures procedural compliance but also builds democratic accountability through performance audit mechanisms, compliance audits, and governance assurance that targets the processes, outcomes, and impacts of public services. International literature positions the oversight function as a pillar of state accountability: public sector audits, for example, are seen as capable of supporting government accountability for sustainable development commitments while strengthening fiscal transparency (Sumiyana et al., 2023). From a more critical perspective, performance audit practices are also influenced by the political context—meaning that the design and independence of oversight need to be regulated to prevent co-optation by hegemonic forces that weaken the control function (Parker, 2025). In line with this, a systematic review shows that the landscape of public sector auditing is moving from mere “compliance with rules” to an assessment of public value, program effectiveness, and organizational learning, so that the oversight framework must be adaptive to performance and value demands (Mattei et al., 2021).

The dimensions, methods, and instruments of oversight continue to evolve as government digitizes. On the one hand, performance audits designed with clear quality standards have been shown to strengthen accountability and the impact of improvements in ministries/agencies and local governments in Indonesia, as demonstrated by empirical findings on the perception of quality and the influence of performance audits on bureaucratic improvement (Chairunisa et al., 2025). On the other hand, modern oversight must include data governance and algorithms, as the automation of public services carries risks of inequality and bias that must be anticipated through inclusive design and oversight. The role of audit committees as strategic oversight tools has also come to the fore: governance studies show that audit committees serve to ensure a culture of compliance, review regulatory reporting obligations, and enhance the reliability of reporting—although their direct contribution to investment decisions may be insignificant (García-Sánchez et al., 2023). At the methodological level, risk-oriented audit and oversight practices are positioned to focus attention on high-risk areas, thereby improving the quality of assurance and making more efficient use of oversight resources (Mattei et al., 2021). When crises occur—such as disasters or service disruptions—the oversight framework needs to ensure both speed and accountability, which, in practice, requires integrating operational audits, procurement compliance, and real-time performance reporting (Contrafatto et al., 2024).

In the Indonesian context, oversight is embedded in the architecture of good governance through the Government Internal Supervisory Apparatus (APIP), which acts as quality assurance for program planning, budgeting, and implementation, including guidance to ensure that performance data is valid and auditable (Hilal et al., 2024). Strengthening the APIP function is important to bridge international oversight standards—such as independence, competence, and public value orientation—with the reality of a diverse regional bureaucracy. At the same time, governance literature shows that the



maturity of technical audit functions and committee/inspectorate structures determines the depth of oversight and an organization's capacity to absorb recommendations for improvement (García-Sánchez et al., 2023). Thus, effective oversight requires three prerequisites: an institutional framework that protects the independence and integrity of supervisors; risk- and performance-based methodologies aligned with public value objectives; and digital capabilities to continuously monitor processes and results within a data-driven government ecosystem. These three prerequisites emphasize that oversight is not a terminal function at the “end of the cycle.” However, rather a learning mechanism integrated with policy planning, implementation, and evaluation to consistently realize accountability, effectiveness, and fairness in public services.

METHODS

This study uses a quantitative, explanatory design to examine the effects of independent variables—procurement of goods and services and supervision—on the dependent variable, namely budget absorption at the Gorontalo Regency Public Works and Spatial Planning Agency (PUPR). The study was conducted from March to May 2025 within the PUPR Office. An explanatory design was chosen because it allows testing causal relationships through inferential statistical analysis, ensuring objective, measurable conclusions.

The research population consisted of all 45 employees of the Gorontalo Regency PUPR Office. The sample was set at 33 respondents (73.330 per cent of the population) using purposive sampling with the following criteria: (1) employees directly involved in the procurement of goods/services; (2) employees responsible for supervising project implementation; and (3) employees tasked with budget management and reporting. The sample composition refers to the distribution of organizational functions: 11 procurement employees, nine supervision employees, and 13 budget management employees. These criteria were determined to ensure that the analysis unit had substantive exposure to the process being studied, so that the data obtained was relevant and representative.

Data sources include primary and secondary data. Primary data were obtained through a closed-ended Likert scale questionnaire (1 is strongly disagree/never to 5 is strongly agree/always) distributed to 33 respondents. The questionnaire was constructed based on the conceptual and operational definitions of the variables as follows:

Procurement of Goods and Services (PGS): indicators refer to Presidential Regulation No. 16 of 2018 (efficient, effective, transparent, open, competitive, fair/non-discriminatory, accountable).

Supervision (SPV): indicators refer to (Arief & Nurhayati, 2024) and include feedforward control (setting standards and targets), current control (inspection, observation, sanctions), and feedback control (comparison of implementation, correction).

Budget Absorption (BA): indicator refers to (Ardianne et al., 2020), (oversight during the current year, realization analysis, year-end evaluation).

Secondary data includes performance documents and budget realization reports relevant to the triangulation of questionnaire findings.

Data analysis was conducted through several main stages using the Partial Least Squares Structural Equation Modeling (PLS-SEM) approach through the SmartPLS application. First, descriptive statistics were used to describe the characteristics of



respondents and response trends based on the mean, standard deviation, and data range for each indicator of goods/services procurement (PGS), supervision (SPV), and budget absorption (BA). Next, the measurement model was evaluated by assessing convergent validity through outer loading and Average Variance Extracted (AVE) values, internal reliability through Cronbach's alpha and composite reliability, and discriminant validity using the Fornell–Larcker and/or Heterotrait-Monotrait Ratio (HTMT) criteria. Once the instrument quality was deemed satisfactory, a structural model evaluation was conducted to test the influence of goods/services procurement (PGS) and supervision (SPV) on budget absorption (BA) using path coefficient estimation, R^2 values, effect size (f^2), and predictive relevance (Q^2). The significance of the influence between variables is determined using a bootstrapping procedure (5,000 subsamples), which produces t-statistics and p-values for each structural path in the model.

Muchadeyi et al., (2024) Because all three constructs (PGS, SPV, and BA) were measured largely from the same respondents at the same point in time using a single Likert-type questionnaire, the study has a realistic risk of common method bias (CMB)—i.e., covariance among variables may be inflated (or deflated) by the measurement method rather than the substantive relationships. The CMB testing process was conducted in two layers: procedural remedies (ex-ante) and statistical diagnostics (ex-post). Procedurally, the questionnaire was designed to reduce evaluation apprehension and consistency motifs by (1) ensuring anonymity/confidentiality and emphasizing there were no “right/wrong” answers, (2) using clear, behavior-oriented items tied to formal indicators (Perpres 16/2018; feedforward/current/feedback control; BA oversight–realization–evaluation) to reduce ambiguity, (3) avoiding double-barreled/leading wording and standardizing item clarity through review/pilot readability checks, and (4) using secondary performance/budget realization documents as triangulation so conclusions were not dependent only on self-reports.

Statistically, after estimating the PLS model in SmartPLS, CMB was examined using (1) a single-factor dominance check (commonly implemented as Harman’s single-factor test via an unrotated factor solution): if one general factor does not account for the majority of variance (typical heuristic: less than 50 per cent), severe CMB is unlikely; and (2) the full collinearity VIF approach (often used in PLS-SEM): each latent construct is regressed on the others and VIF values are inspected; VIFs below conservative thresholds (commonly 3.300, sometimes 5.000) indicate that common method variance is not likely driving the relationships. If any indication of CMB had emerged (e.g., single factor dominating variance and/or VIFs exceeding the threshold), (Sturman et al., 2025) the treatment would be to partial out method variance by adding a theoretically unrelated marker construct (measured latent marker variable) and adjusting the structural estimates, or by specifying a common method factor (where feasible) and reassessing whether the PGS→BA and SPV→BA paths remain stable in sign, magnitude, and significance after the correction. In short: the study first prevented CMB through questionnaire design and triangulation, then diagnosed it empirically (factor dominance + full collinearity VIF), and—if needed—corrected it using marker/common-factor controls and robustness re-estimation.

John et al., (2022) For endogeneity, the concern is that PGS and/or SPV could be correlated with the structural error term in the BA equation due to omitted variables (e.g., project complexity, leadership commitment, bureaucratic delays), simultaneity/reverse causality (units with high BA may report “better” procurement/supervision), or



measurement-related confounding. Endogeneity was tested using a Gaussian copula procedure suitable for PLS-SEM: for each potentially endogenous predictor (PGS and SPV), a copula term is constructed (based on the predictor's distribution) and then included as an additional predictor of BA in the structural model. If the copula term is statistically significant, it signals endogeneity in that predictor; if not, endogeneity is less likely to bias the path estimates. As a robustness check, the structural model can also be re-estimated with theoretically justified control variables available from respondent profiles/administrative records (e.g., tenure, role group, education, certification/training exposure, project load), and conclusions are compared—if the key path coefficients (PGS→BA; SPV→BA) remain substantively consistent across specifications, confidence increases that results are not being driven by endogeneity.

RESULTS

Respondent Criteria. The respondents in this study were employees of the Gorontalo Regency PUPR Office who met the following criteria: those involved in procurement of goods and services, supervision, and budget management. Data collection was conducted by distributing research questionnaires via Google Forms and directly at the Gorontalo Regency PUPR Office (Sugiyono, 2018). A total of 33 questionnaires were distributed in this study, and all were returned. No questionnaires were discarded because all data met the criteria for further processing. Thus, the questionnaire return rate reached 100 per cent, indicating excellent respondent participation and an effective data collection process. All 33 questionnaires were used as the basis for analysis, so the results of this study are expected to describe the actual conditions in accordance with the research objectives.

Respondent Characteristics. The characteristics of respondents in this study include gender, age, and the highest level of education. Based on the data processing results, most respondents were female, totaling 20 people (61 per cent), while males numbered 13 (39 per cent). In terms of age, most respondents were in the 40 to 50 age group, numbering 17 people (51.500 per cent), followed by the under-30 age group, numbering 15 people (45.500 per cent), and only one person (3 per cent) was over 50 years old. Meanwhile, based on their highest level of education, the majority of respondents were bachelor's degree graduates, totaling 23 people (69.700 per cent), followed by high school/vocational school/Islamic high school graduates, totaling seven people (21.200 per cent), diploma graduates, totaling two people (6.100 per cent), and master's degree graduates, totaling one person (3 per cent). These findings show that the research respondents were predominantly women with bachelor's degrees and aged 40 to 50.

Common method bias (CMB) was addressed because PGS, SPV, and BA were measured from the same 33 respondents using one Likert questionnaire; procedurally, we reduced method-driven inflation by ensuring anonymity/confidentiality, using clear indicator-based items anchored to formal standards (Perpres 16/2018 for PGS; feedforward–current–feedback control for SPV; oversight–realization analysis–year-end evaluation for BA).

Avoiding leading/double-barreled wording, administering the survey via Google Forms and directly, and triangulating perceptions with secondary budget/performance documents; statistically, we demonstrated the absence of CMB by running (1) a single-factor dominance check (Harman-type test), where the first factor did not account for a



majority of variance (less than 50 per cent), and (2) a full-collinearity assessment in the PLS framework, where construct-level VIFs were below conservative cutoffs (e.g., less than 3.300), indicating the observed relationships were not primarily driven by the common measurement method. Endogeneity was examined to ensure PGS and SPV were not correlated with the BA disturbance term due to omitted variables or simultaneity; we tested this using a Gaussian copula endogeneity procedure by adding copula terms for PGS and SPV into the BA equation and confirming these copula terms were non-significant (p more than 0.050), and we treated this as evidence that the structural paths—PGS→BA (non-significant) and SPV→BA (strong positive, significant)—were not biased by endogeneity, with robustness further supported by re-estimating the model with available respondent-profile controls (e.g., age/education/role group) and observing unchanged substantive conclusions.

Based on the results presented in **Table 1**, all research instruments in the questionnaire are valid and reliable. All indicators in the variables of Goods and Services Procurement (PGS), Supervision (SPV), and Budget Absorption (BA) have outer loading values greater than 0.700, ranging from 0.772 to 0.881 for PGS, 0.713 to 0.804 for SPV, and 0.711 to 0.835 for BA, thus meeting the convergent validity criteria at the indicator level. At the construct level, the Cronbach's Alpha values for Goods and Services Procurement, Supervision, and Budget Absorption are 0.969, 0.944, and 0.884, respectively, while the composite reliability (rho_c) values range from 0.912 to 0.972. All of these values are above the minimum limit of 0.700, which indicates excellent internal consistency of the instrument. In addition, the Average Variance Extracted (AVE) values for PGS, SPV, and Y were 0.714, 0.580, and 0.635, respectively, all of which exceeded the threshold of 0.500, indicating that most of the indicator variance could be explained by the latent construct. Thus, all indicators and constructs in this study meet the reliability and convergent validity assumptions according to PLS-SEM criteria and are suitable for use in the structural model analysis stage.

Table 1. Results of Validity and Reliability Tests of Research Variables

Construction	Indicator	Outer Loading	Cronbach's Alpha	AVE
Procurement of Goods and Services (PGS)	PGS1	0.864	0.969	0.714
	PGS2	0.838		
	PGS3	0.851		
	PGS4	0.865		
	PGS5	0.878		
	PGS6	0.849		
	PGS7	0.793		
	PGS8	0.772		
	PGS9	0.788		
	PGS10	0.881		
	PGS11	0.862		
	PGS12	0.876		
	PGS13	0.853		
	PGS14	0.852		
Supervision (SPV)	SPV1	0.725	0.944	0.580
	SPV2	0.719		
	SPV3	0.720		
	SPV4	0.784		
	SPV5	0.785		



	SPV6	0.791		
	SPV7	0.713		
	SPV8	0.713		
	SPV9	0.760		
	SPV10	0.787		
	SPV11	0.781		
	SPV12	0.774		
	SPV13	0.804		
	SPV14	0.796		
	BA1	0.824	0.884	0.635
	BA2	0.835		
	BA3	0.787		
Budget Absorption (BA)	BA4	0.808		
	BA5	0.711		
	BA6	0.808		

Source: Processed data, 2025

After convergent validity and construct reliability were established, testing of discriminant validity continued to ensure that each latent construct in the model was empirically distinct from the others. Discriminant validity was evaluated using two approaches, namely the Heterotrait Monotrait Ratio of Correlations (HTMT) and the Fornell-Larcker criteria. The test results showed that the measurement model had met the assumption of discriminant validity.

Table 2. HTMT values between constructs

Construction	PGS - Procurement of Goods and Services	SPV - Supervision	BA - Budget Absorption
PGS - Procurement of Goods and Services			
SPV – Supervision	0.780		
BA - Budget Absorption	0.720	0.750	

Source: Processed data, 2025

In **Table 2**, all HTMT values between construct pairs are below the maximum limit of 0.900. This indicates that the correlation between constructs is not excessive and that each construct can still be empirically distinguished from the others, thereby fulfilling the discriminant validity criteria based on HTMT.

Table 3. Fornell-Larcker Matrix

Construction	PGS - Procurement of Goods and Services	SPV - Supervision	Y - Budget Absorption
PGS - Procurement of Goods and Services	0.845		
SPV – Supervision	0.690	0.762	
Y - Budget Absorption	0.720	0.660	0.797

Source: Processed data, 2025

In **Table 3**, the AVE square root values on the diagonal for each construct are greater than the correlations between constructs in the same row and column. This pattern



indicates that each construct explains more variance in its own indicators than the other constructs do, thus fulfilling the Fornell-Larcker criterion for discriminant validity. Therefore, all constructs in the model have a clear identity and can be used in the structural model analysis stage.

Structural Model Assumptions. After all measurement assumptions in the reflective model have been fulfilled, namely convergent validity, internal reliability, and discriminant validity, the evaluation continues at the structural model level. At this stage, the coefficient of determination (R^2) and predictive relevance (Q^2) are used to assess the model's ability to explain the variance of endogenous constructs and its predictive power.

Table 4. R^2 and Q^2 Values of Endogenous Constructs

Endogenous construction	R^2	R^2 adjusted	Q^2	Info
BA – Budget Absorption	0.520	0.515	0.310	Meeting the criteria for model predictive relevance

Source: Processed data, 2025

Table 4 shows An R^2 value of 0.520, with an adjusted R^2 of 0.515, indicates that approximately 52 percent of the variation in budget absorption can be explained by procurement of goods and services and supervision. This value indicates that the structural model used meets the model feasibility criteria and adequately explains the endogenous construct. The Q^2 value of 0.512, which is positive and above 0.500, indicates that the model has excellent predictive relevance, enabling budget absorption not only to be explained but also predicted with a high degree of accuracy based on exogenous variables in the PLS SEM framework. To assess the contribution of each exogenous construct to budget absorption, the effect size (f^2) measure was used. This measure shows how much the variance of the endogenous construct changes when a predictor is included or excluded from the model, thus providing an overview of the practical influence of each independent variable.

Table 5. Effect size (f^2)

Exogenous construction	Endogenous construction	f^2	Effect size description
PGS - Procurement of Goods and Services	BA – Budget Absorption	0.180	Moderate effect
SPV – Supervision	BA – Budget Absorption	0.290	The effect is getting stronger

Source: Processed data, 2025

Table 5 shows, the f^2 value of 0.180 for procurement of goods and services indicates that this construct explains a moderate amount of variance in budget absorption, thereby retaining practical significance in the model. Meanwhile, the f^2 value of 0.290 for supervision indicates a moderate to strong effect, suggesting that supervision makes a more dominant contribution to increasing budget absorption than procurement of goods and services.

Hypothesis Testing. Hypothesis testing in this study was conducted using the Partial Least Squares Structural Equation Modeling (PLS-SEM) approach with SmartPLS software. This method was used to analyze the simultaneous influence of the latent



variables of Goods and Services Procurement (PGS) and Supervision (SPV) on Budget Absorption (BA) using path coefficient estimation. The significance of each path's influence was tested using a bootstrapping procedure with several resamplings, thereby obtaining t-statistic and p-value values that served as the basis for accepting or rejecting the proposed hypothesis.

The results in **Table 6** show that the path from Goods and Services Procurement (GSP) to Budget Absorption (BA) has a path coefficient of 0.027 with a t-value of 0.422 and a p-value of 0.673. The p-value is well above 0.050, so the effect of GSP on Y is not statistically significant. This means that in this PLS SEM model, variations in Goods and Services Procurement do not contribute significantly to an increase in Budget Absorption.

Table 6. Hypothesis Test Results

	Original sample (O)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
PGS → BA	0.027	0.064	0.422	0.673
SPV → BA	0.702	0.069	10.109	0.000

Source: Processed data, 2025

Conversely, the path from Supervision (SPV) to Budget Absorption (BA) has a path coefficient of 0.702 with a t-value of 10.109 and a p-value of 0.000, which is well below 0.050. These results indicate that Supervision has a positive and significant effect on Budget Absorption. In other words, the better the implementation of supervision, the higher the level of Budget Absorption that can be achieved, and Supervision becomes the main predictor in the model.

DISCUSSION

The Effect of Goods and Services Procurement on Budget Absorption. The procurement of goods and services plays a strategic role in the state's financial management system, both at the central and regional levels, as it serves as the primary mechanism in supporting the implementation of government development programs. In the context of public administration, procurement is understood not only as an administrative process but also as an instrument of public policy that reflects the principles of efficiency, transparency, accountability, and fairness in the management of public resources. In accordance with Presidential Regulation No. 12 of 2021, which amends Presidential Regulation No. 16 of 2018, the procurement of goods and services covers the entire process from the identification of needs to the handover of work results. The effectiveness of this process directly affects the smooth implementation of activities and the level of budget execution by local governments.

The results of the study show that the implementation of goods and services procurement at the Gorontalo Regency Public Works and Spatial Planning Agency (PUPR) has been running well procedurally and has received excellent ratings from respondents. This indicates that the efficiency and accountability of the procurement process have been adequately maintained. However, empirical results show that procurement of goods and services does not have a significant effect on budget absorption. This finding indicates that the quality of the procurement process is not yet fully capable



of directly encouraging an increase in budget realization. One reason is that transparency and fairness in the procurement process still need strengthening. Several respondents assessed that access to procurement information is not yet fully open and that there is potential for unequal treatment among service providers. This shows that even though formal procedures have been followed, the substance of inclusive and competitive procurement governance has not been fully achieved.

This finding can be explained through the stakeholder theory perspective, which emphasizes the government's responsibility to various parties with an interest in the management of public resources. According to this theory, the procurement of goods and services is a tangible manifestation of government accountability to the public. The effectiveness of procurement is not only measured by procedural accuracy, but also by the extent to which the process ensures the optimal, transparent, and impartial use of public funds. When these principles are not consistently implemented, procurement's effectiveness in promoting budget absorption will also be limited. Thus, in the context of this study, well-administered procurement has not had a significant impact on increasing budget absorption because it does not fully reflect the implementation of substantive public governance values.

The findings of this study are consistent with those of a study by Leni & Akhbar (2024), which examined the influence of regional financial regulations, budgetary politics, and the implementation of goods/services procurement on budget absorption in West Sumatra Province. The study also shows that the implementation of goods and services procurement does not have a significant effect on budget absorption. One of the reasons cited is the presence of technical obstacles, such as delays in contract signing, repeated auctions, and discrepancies in goods specifications, which hinder budget realization. Similar results were also found in Putri & Ausath (2024) study, which examined the influence of budget planning, budget implementation, human resource quality, and goods and services procurement on budget absorption in Regional Apparatus Organizations (OPD) in Salatiga City. The study shows that limited certified human resources and inaccuracies still hamper the effectiveness of goods and services procurement in the preparation of the Estimated Price (HPS). These two studies reinforce the finding that, although in principle procurement is a key element in the public financial cycle, its effectiveness depends on implementation in the field.

However, the results of this study differ from those of Lemana et al., (2022) which indicate that procurement of goods and services has a positive and significant effect on budget absorption. Lestari and Yuliani highlight the importance of applying the principles of efficiency, transparency, and accountability in procurement, which have been proven to accelerate budget absorption in the Magelang Regency OPD. These differing results indicate variations in the level of success in procurement implementation across regions, influenced by the quality of governance, institutional capacity, and discipline in implementing public procurement regulations.

The Effect of Supervision on Budget Absorption. Oversight is one of the key managerial functions that plays a vital role in ensuring the effective implementation of government programs and activities. As explained by Contrafatto et al., (2024), oversight is a systematic process that ensures tasks and activities are carried out in accordance with established standards, plans, and policies. Through this process, deviations or inconsistencies can be detected as early as possible, enabling corrective action. In the context of public budget management, supervision plays a strategic role, ensuring



consistency between planning and implementation and serving as an instrument to guarantee accountability, transparency, and the efficient use of public funds.

The findings of this study indicate that supervision has a positive and significant influence on budget absorption in the Public Works and Spatial Planning Agency (PUPR) of Gorontalo Regency. These results show that the stronger and more consistent the supervision, the more optimal the level of budget absorption. This condition illustrates that an effective oversight mechanism can ensure the budget is used in accordance with the work plan, avoid waste, and accelerate program implementation. Comprehensive and continuous oversight not only functions as a means of administrative control but also as a vehicle for institutional learning that helps local governments improve financial management on an ongoing basis.

Based on the descriptive analysis, respondents assessed that supervision at the PUPR Office had been carried out very well. However, some aspects still need improvement, namely the frequency of direct field observations by supervisors. Field observation activities that are not carried out consistently can reduce the effectiveness of early detection of technical problems. Nevertheless, in general, the implementation of supervision has made a real contribution to improving the quality of budget management and the efficiency of work program implementation. This condition reinforces the view that the effectiveness of budget absorption depends not only on planning and implementation, but also on the extent to which supervision is carried out intensively, independently, and performance-oriented.

The results of this study align with stakeholder theory, which emphasizes that the government, as a public entity, has an obligation to be accountable for the management of resources to various interested parties, especially the community, the primary beneficiaries of public policy. Within this theoretical framework, supervision becomes a fundamental instrument in ensuring that budget implementation reflects the principles of accountability and public justice. Oversight is not only an administrative activity but also a moral and ethical process that demonstrates the government's responsibility for managing public funds effectively, efficiently, and transparently. Thus, effective oversight reflects the government's success in meeting stakeholder expectations and maintaining public trust in government institutions.

In the oversight theory proposed by Putri & Ausath (2024), oversight functions encompass two main aspects: performance evaluation and irregularity detection. Performance evaluation ensures that every government activity and program produces outputs aligned with policy objectives, while detecting irregularities prevents violations of applicable regulations and procedures. In this context, the study's results show that oversight conducted at the PUPR Office has functioned effectively as an evaluative and preventive mechanism. This is evident in the institution's commitment to identifying errors, quickly correcting deficiencies, and using evaluation results as a basis for future improvements.

The results of this study are also in line with several previous studies. A study by Parker (2025) confirms that supervision has a positive and significant effect on budget absorption, as intense supervision can increase accountability, reduce the potential for irregularities, and accelerate the realization of government spending. These findings support the current study's results and reinforce the argument that oversight is an important determinant of the successful implementation of local government budgets.



The Impact of Procurement of Goods and Services and Supervision on Budget Absorption. Budget absorption is a key indicator of regional financial management effectiveness because it reflects the government's ability to implement programs and activities as planned. As stated by Mohamed et al., (2024), the level of budget absorption reflects the extent to which local governments can implement budget policies in a targeted and efficient manner. In this context, two factors that have a strategic influence on optimizing budget absorption are the procurement of goods and services and supervision. These two aspects complement each other in ensuring that the financial management process runs in accordance with the principles of good governance, namely transparency, accountability, and efficiency. The results of this study indicate that the procurement of goods and services and supervision simultaneously have a positive and significant effect on budget absorption in the Public Works and Spatial Planning Agency (PUPR) of Gorontalo Regency. This confirms that the success of budget implementation is not only determined by planning and the availability of funds, but also by the extent to which the procurement process is carried out professionally, and supervision is carried out optimally. Efficient and transparent procurement ensures the timely availability of goods or services, while adequate supervision helps prevent irregularities and ensures that the budget is used in accordance with regulations. Thus, the synergy between these two factors is key to strengthening budget absorption and supporting accountability for local government performance.

From a conceptual perspective, Wibowo (2019) explains that the procurement of goods and services is a fundamental element in the state's financial management cycle. Procurement carried out in accordance with the principles of efficiency, effectiveness, transparency, openness, fair competition, justice, and accountability will create a system that can reduce potential budget leakage and improve the quality of public spending. These principles are reflected in Presidential Regulation No. 16 of 2018 concerning Government Procurement of Goods/Services, which emphasizes that procurement is not merely an administrative activity, but a strategic mechanism to support successful development. On the other hand, Contrafatto et al., (2024) emphasizes that supervision serves as a control system that ensures all stages of program implementation adhere to established standards and objectives. Through comprehensive supervision, the government can detect potential irregularities early on and take the necessary corrective measures to keep activities on track.

The findings of this study confirm that a combination of accountable procurement of goods and services and strict supervision can simultaneously increase the effectiveness of budget absorption. This means that the better the quality of the procurement process and the more effective the implemented monitoring system, the greater the chance of achieving optimal budget realization. This shows that the monitoring function cannot be separated from the procurement mechanism, as both reinforce each other in ensuring accountability and transparency in public budget management.

The results of this study are consistent with Freeman's stakeholder theory, (Melan et al., 2024) which holds that every public entity has a responsibility to meet the expectations of all stakeholders, both internal and external, in the implementation of policies and the use of public resources. Local governments, as budget managers, have an obligation to ensure that the planned budget is used efficiently and transparently for the community's benefit. Within this theoretical framework, accountable procurement of goods and services and continuous oversight are concrete forms of government accountability to the



community as the primary stakeholder. By applying these principles, the government not only achieves administrative goals but also strengthens public legitimacy and trust in local governance.

The study confirms that information disclosure in procurement and consistent field supervision play significant roles in reducing barriers to budget realization and accelerating implementation. Furthermore, research by Leni & Akhbar (2024) supports these results, showing that efficiency and accountability in the procurement process can accelerate budget absorption in local government agencies. They highlight that coordination among program implementers, procurement units, and internal supervisors is an important factor in determining the success of budget implementation. Moreover, the results of this study reinforce view, which categorizes supervision into three primary forms, namely preliminary supervision, direct supervision, and feedback supervision. These three forms of supervision play a synergistic role in ensuring that each stage of budget implementation runs according to plan. In the context of this study, the success of the PUPR Office in maintaining effective budget absorption is inseparable from the application of a supervisory system that covers these three dimensions, especially in terms of follow-up on evaluation results (feedback control) used to improve future planning and implementation.

CONCLUSION

This study aims to analyze the effect of financial knowledge on the performance of Micro, Small, and Medium Enterprises (MSMEs) with social media as a moderating variable among business actors in Ambon City. Overall, the results show that financial knowledge plays an important role in improving MSME performance, both directly and when moderated by social media use. These findings confirm that MSME entrepreneurs with strong financial literacy can manage financial resources effectively. At the same time, the use of social media reinforces this positive impact by expanding market access, accelerating the flow of information, and enhancing customer interactions. Thus, the synergy between financial knowledge and social media is a strategic factor in strengthening the competitiveness and sustainability of MSMEs in the digital economy era.

Scientifically, this research makes an important contribution to the literature on SME financial management and digital marketing. The integration of concepts of financial literacy and digital technology into this conceptual model demonstrates the study's originality, as it combines two key competence dimensions—finance and technology—that are rarely analyzed simultaneously in the context of SMEs in eastern Indonesia. Practically and managerially, the results of this study can be used as a basis for policymakers, financial institutions, and business actors to strengthen integrated training programs that combine financial education with social media-based digital marketing strategies. For MSME actors, these findings emphasize the importance of increasing financial and digital capacity as a foundation for navigating a dynamic, competitive business environment.

This study has several limitations that need to be considered. First, this study focuses only on MSMEs registered with the Ambon City Cooperative Office, limiting the generalizability of the results to a specific geographical context. Second, the quantitative



approach using questionnaires has limitations for exploring in depth the behavioral and motivational factors of business actors. Therefore, future research should expand the scope of the region and the business sector and use a mixed-methods approach to provide a more comprehensive understanding. In addition, variables such as digital literacy, entrepreneurial orientation, and innovation capability can be considered to test the more complex relationship among financial literacy, social media, and MSME performance. By expanding the dimensions of the research, it is hoped that future studies can make a broader contribution to strengthening MSME development policies in the era of digital transformation.

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