

# THE INFLUENCE OF HUMAN RESOURCES COMPETENCY, BUDGETING POLITICS AND PROCUREMENT OF GOODS AND SERVICES ON BUDGET ABSORPTION BY BUDGET IMPLEMENTATION AS A MODERATING VARIABLE IN THE GOVERNMENT OF RIAU ISLANDS

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## Abstract

*This study aims to analyze the influence of human resource competence, budget politics, procurement of goods and services on budget absorption and to test and analyze budget implementation in moderating the relationship between human resource competence, budget politics, procurement of goods and services on budget absorption. This research uses a quantitative approach. The type of data used in this study is primary data. This research was conducted using a survey method by distributing questionnaires to regional financial managers in the Riau Islands Provincial Government. The population of this study is the financial manager of 43 Regional Apparatus Organizations as many as 115 people. Determination of the sample through saturated samples (census). The data is processed using the SEM-PLS application version 3.0. The results of this study show that budget politics, procurement of goods and services and budget implementation affect budget absorption. But on the contrary, the competence of human resources does not affect the absorption of the budget. The interaction of budget implementation can strengthen the relationship between the competence of Human Resources and the procurement of goods and services for budget absorption but is not significant in moderating the political process of budgeting for budget absorption.*

**Keywords:** *Competence of human resources, budget politics, procurement of goods and services, budgetary peaks, budget absorption.*

## 1. INTRODUCTION

### 1.1 Background

Based on the Regulation of the Minister of Home Affairs of the Republic of Indonesia Number 77 of 2020 concerning Technical Guidelines for Regional Financial Management article 1 paragraph 4, the Regional Revenue and Expenditure Budget, hereinafter abbreviated as APBD, is the regional annual financial plan stipulated by Regional Regulation. In the APBD structure, local government spending plays a very important role in achieving regional development goals, especially in improving and maintaining people's welfare. The important role of the regional government budget in the economy as a policy tool is also related to the three main functions of the government budget, namely the allocation function, the distribution function, and the stabilization function.

The performance of these results and outputs is a performance attached to the related Regional Apparatus Organization (OPD). The government's role here can be expressed in terms of optimizing the management of regional potential and human resources that provide benefits to society. Low budget absorption from the beginning to the middle of the year but increased at the end of the year had an impact on the quality of performance. Failure to target budget absorption indicates inefficiency and ineffectiveness of budget allocation (Rerung, et al, 2017). One of the problems in public organization budgets is the absorption of the budget which tends to be low at the beginning of the year and accumulates at the end of the year causing inequality in budget

THE INFLUENCE OF HUMAN RESOURCES COMPETENCY, BUDGETING POLITICS AND PROCUREMENT OF GOODS AND SERVICES ON BUDGET ABSORPTION BY BUDGET IMPLEMENTATION AS A MODERATING VARIABLE IN THE GOVERNMENT OF RIAU ISLANDS

Imelda, Fachrudin, Bambang Satriawan, Chablullah Wibisono, Muammar Khaddafi

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absorption (Suwarni and Maruf, 2018). In line with Williams' opinion, according to Seftianova (2013), argued that the poor quality of budget absorption would have an impact on the regional economy as a whole. First, the function of fiscal policy is not functioning effectively in order to increase economic growth. Second, the loss of spending benefits because not all of the allocated funds can be utilized, which means idle money occurs. Third, the delay in the implementation of government programs related to poverty alleviation. Finally, the accumulation of bills at the end of the fiscal year is very unhealthy for government cash management. the loss of spending benefits because not all of the allocated funds can be utilized, which means idle money occurs. Third, the delay in the implementation of government programs related to poverty alleviation. Finally, the accumulation of bills at the end of the fiscal year is very unhealthy for government cash management. the loss of spending benefits because not all of the allocated funds can be utilized, which means idle money occurs. Third, the delay in the implementation of government programs related to poverty alleviation. Finally, the accumulation of bills at the end of the fiscal year is very unhealthy for government cash management.

The slow absorption of the government's budget has become a classic problem, which continues to occur every year. Absorption of the budget at the beginning of the year (first quarter) was small but experienced a significant increase at the end of the year (fourth quarter). This has an impact on the slow realization of the implementation of government programs and activities. If this is related to physical development activities (facilities and infrastructure) for public facilities, then the impact of this delay will result in delays in the benefits that will be received and enjoyed by the community, in addition to the poor quality of goods and services provided in a limited time (Malahayati, 2015). Limited regional revenue sources require regional governments to prioritize activities and allocate effective and efficient budgets. Absorption of a budget is ideally absorbed thoroughly per quarter by 25% (BPKP, 2011). Furthermore, Suhartono (2011) argues that the proportionality of budget absorption means that the absorption of the budget fulfills an almost equal percentage each period.

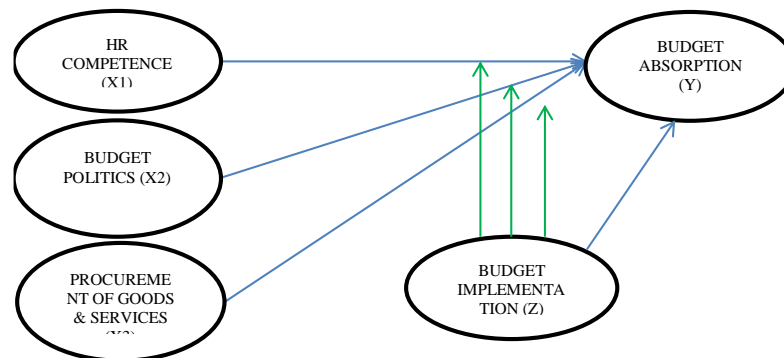
Budget absorption is one of the main performance indicators in budget management. Noviwijaya and Rohman (2013) argue that budget absorption is the proportion of work unit budgets that have been disbursed or realized in one fiscal year. In the early quarters it should be a good time for budget absorption so that in the final quarter the government has no difficulty implementing budget absorption. When budget absorption fails to meet the target, it means that there has been inefficiency and ineffectiveness of budget allocation (BPKP, 2011). The earlier the implementation of activities will provide benefits and a large stimulus effect for the benefit of the community. If the implementation is postponed to the end of the year when it should have been implemented earlier, it will be a loss for many people because they are delayed in receiving benefits. The amount of government spending can be seen from the amount of budget realization each year. This phenomenon also occurs in the Riau Islands Provincial Government. In the following, you can see the absorption of the percentage of the last 3 years budget from 2019 to 2021 as follows:

**Table 1** Realization of Riau Archipelago Province Budget for Fiscal Year 2019 – 2021

NO	FISCAL YEAR	SHOPPING PAGU	TW	REALIZATION		THE REMAINING BUDGET	
				(IDR)	%	(IDR)	%
1	2019	3,332,827,358,657.40	I	322,447,561,357.90	10	179,810,641,214	5
			II	1,081,285,115,366.86	32		
			III	1,830,897,964,851.06	55		
			IV	3,153,016,717,443.07	95		
2	2020	3,386,269,418,749.97	I	438,640,722,552.14	13	75,780,850,020	2
			II	1,307,120,449,007.25	39		
			III	2,003,106,986,624.82	59		
			IV	3,310,488,568,730.02	98		
3	2021	3,918,686,016,772.00	I	253,762,043,128.76	6	214,879,969,421	5
			II	1,034,520,172,826.54	26		
			III	1,842,767,655,142.38	47		
			IV	3,703,816,047,350.84	95		

Data source: *Riau Islands Province Budget Realization Report (LRA) 2019 to 2021, data processed (2022)*

## 1.2 conceptual framework



**Image 1** conceptual framework

## 2. METHODOLOGY

The population in this study were all Regional Apparatus Organizations (OPD) in the Riau Islands Provincial Government, namely 43 OPD. The total population in this study was 115, so the research sample was all populations. The types of data used in this research are primary data and secondary data. The data analysis technique in this study was carried out using Partial Least Square (PLS), where the SEM test used the SmartPLS version 3.0 program.

## 3. RESEARCH RESULTS

### 3.1 Outer Model Testing (Measurement Model)

According to Ghozali (2014), data processing techniques using the PLS-based SEM method require 2 stages to assess the fit of a model of a research model. One of them is the outer model analysis. Meanwhile, according to Rumengan Jemmy et.al (2019: 167), the analysis of the measurement model (outer model) aims to evaluate the construct variable being studied, namely the validity (accuracy) test and reliability (reliability) test of a latent/construct variable. This outer model test uses the help of the PLS Algorithm procedure. The analysis phase in the outer model is measured using validity and reliability testing.

#### a. Validity test

There are two (2) methods of testing validity in this study, namely convergent validity and discriminant validity.

##### 1. Convergent Validity

There are 2 ways to assess a construct variable that is valid or cannot be seen from:

##### Outer Loadings

If the value of outer loadings > 0.70 then an indicator is valid (Hair, Hult, Ringle, & Sarstedt, 2014 in Rumengan Jemmy et.al, 2019: 169).

THE INFLUENCE OF HUMAN RESOURCES COMPETENCY, BUDGETING POLITICS AND PROCUREMENT OF GOODS AND SERVICES ON BUDGET ABSORPTION BY BUDGET IMPLEMENTATION AS A MODERATING VARIABLE IN THE GOVERNMENT OF RIAU ISLANDS

Imelda, Fachrudin, Bambang Satriawan, Chablullah Wibisono, Muammar Khaddafi

**Table 2** Research Instrument Validity Test Results

Variabel	Indikator	Outer Loadings	Keterangan
Penyerapan Anggaran (Y)	X1.1	0,803	Valid
	X1.11	0,807	Valid
	X1.2	0,786	Valid
	X1.4	0,764	Valid
	X1.5	0,869	Valid
	X1.6	0,809	Valid
	X1.7	0,768	Valid
	X1.8	0,758	Valid
	X1.9	0,796	Valid
Kompetensi Sumber Daya Manusia (X1)	X2.2	0,886	Valid
	X2.3	0,904	Valid
	X2.4	0,863	Valid
	X2.5	0,879	Valid
	X2.6	0,890	Valid
Politik Anggaran (X2)	X3.1	0,905	Valid
	X3.3	0,833	Valid
	X3.5	0,837	Valid
	X3.6	0,890	Valid
	X3.7	0,870	Valid
Pengadaan Barang dan Jasa (X3)	Y.2	0,783	Valid
	Y.3	0,855	Valid
	Y.4	0,806	Valid
	Y.5	0,821	Valid
	Y.6	0,845	Valid
	Y.7	0,800	Valid
Pelaksanaan Anggaran (Z)	Z.10	0,769	Valid
	Z.11	0,812	Valid
	Z.12	0,810	Valid
	Z.13	0,817	Valid
	Z.2	0,856	Valid
	Z.3	0,807	Valid
	Z.4	0,770	Valid
	Z.6	0,821	Valid
	Z.7	0,715	Valid
	Z.8	0,769	Valid
	Z.9	0,803	Valid

Source: Processed PLS Data, 2022

Based on Table 2 above, it can be concluded that the value of the outer loadings or the correlation between constructs and variables meets convergent validity because it has an outer loadings value of  $> 0.7$  so that all variable constructs can be used to test hypotheses.

**Average Variance Extracted (AVE)**

AVE can be used to measure the reliability of latent variable component scores and the results are more conservative than composite reliability. It is recommended that the AVE value should be greater than 0.50 (Fornell and Larcker, 1981 in Ghazali, 2014:40).

**Table 3** Average Variance Extracted (AVE)

Variabel	Average Variance Extracted (AVE)
X1 (Kompetensi Sumber Daya Manusia)	0,634
X2 (Politik Anggaran)	0,774
X3 (Pengadaan Barang dan Jasa)	0,748
Y (Penyerapan Anggaran)	0,670
Z (Pelaksanaan Anggaran)	0,634

Source: Processed PLS Data, 2022

Based on Table 3 above, the AVE value of the Human Resources Competency variable (X1) is  $0.634 > 0.5$ , Budget Politics variable (X2) is  $0.774 > 0.5$ , Goods and Services Procurement variable (X3) is  $0.748 > 0.5$ , the Budget Absorption variable (Y) is  $0.670 > 0.5$  and the Budget Execution variable (Z) is  $0.634 > 0.5$ . Based on the test results, it can be concluded that all constructs have good convergent validity.

## 2. Discriminant Validity

Discriminant validity is an additional concept which means that two conceptually different concepts must show adequate differences. To measure discriminant validity, it can be done in three (3) ways, namely the Fornell-Larcker Criteria, Cross Loading and Heterotrait-Monotrait Ratio (HTMT). The HTMT criteria clearly outperform classical approaches to discriminant validity assessment such as the Fornell-Larcker criteria and (partially) cross-loadings, most of which cannot detect a lack of discriminant validity. Heterotrait-Monotrait Ratio (HTMT) is a new method for assessing discriminant validity in modeling partial least squares structural equations, which is one of the main building blocks of model evaluation. If the HTMT value is  $< 0.90$  then the discriminant validity has been determined between the two constructs and is reflective.

**Table 4** Discriminant Validity-Heterotrait-Monotrait Ratio (HTMT)

Variabel	X1 (Kompetensi Sumber Daya Manusia)	X2 (Politik Anggaran)	X3 (Pengadaan Barang dan Jasa)	Y (Penyerapan Anggaran)	Z (Pelaksanaan Anggaran)
X1 (Kompetensi Sumber Daya Manusia)					
X2 (Politik Anggaran)	0,201				
X3 (Pengadaan Barang dan Jasa)	0,166	0,881			
Y (Penyerapan Anggaran)	0,122	0,870	0,832		
Z (Pelaksanaan Anggaran)	0,178	0,831	0,821	0,805	

Source: Processed PLS Data, 2022

Based on Table 4 above, it indicates that the HTMT for each variable tested for discriminant validity all meets the criteria, this is because the results of the correlation between variables show data below 0.90. This means that the HTMT discriminant validity test is declared valid.

## b. Reliability Test

Reliability testing is used to assess the consistency of objects and data, ensuring that instruments used several times to measure the same object will produce the same data. A questionnaire is said to be reliable or reliable if one's answers to statements are consistent or stable from time to time (Ghozali, 2016). Reliability testing is used to assess the consistency of objects and data, ensuring that instruments used several times to measure the same object will produce the same data. Cronbach's alpha measures the lower limit of the reliability of a construct and is said to be reliable if the value is  $> 0.7$ . While Composite reliability measures the true value of the reliability of a construct and this method is believed to be better in estimating the internal

THE INFLUENCE OF HUMAN RESOURCES COMPETENCY, BUDGETING POLITICS AND PROCUREMENT OF GOODS AND SERVICES ON BUDGET ABSORPTION BY BUDGET IMPLEMENTATION AS A MODERATING VARIABLE IN THE GOVERNMENT OF RIAU ISLANDS

Imelda, Fachrudin, Bambang Satriawan, Chablullah Wibisono, Muammar Khaddafi

consistency of a construct. A construct variable is said to be reliable if the composite reliability value is  $> 0.6$ .

**Table 5** Cronbach's Alpha Value and Composite Reliability

Variabel	Cronbach's Alpha	Composite Reliability	Keterangan
X1 (Kompetensi Sumber Daya Manusia)	0,930	0,940	Reliabel
X2 (Politik Anggaran)	0,941	0,954	Reliabel
X3 (Pengadaan Barang dan Jasa)	0,944	0,954	Reliabel
Y (Penyerapan Anggaran)	0,902	0,924	Reliabel
Z (Pelaksanaan Anggaran)	0,942	0,950	Reliabel

*Source: Processed PLS Data, 2022*

Based on table 5 above, it can be concluded that all constructs have Cronbach's Alpha values  $> 0.7$  and Composite Reliability  $> 0.6$  so that it can be said that all constructs have good reliability.

### 3.2 Inner Model Testing (Structural Model)

The inner model is a structural model that is used to predict causal relationships (causation relationships) between latent variables or variables that cannot be measured directly. The structural model (inner model) describes the causal relationship between latent variables that has been built based on the substance of the theory. Testing the Inner Model or measuring the inside is also known as a structural model. The structural model is a model that links between latent variables. The inner model analysis aims to test the research hypothesis. There are several parts that need to be analyzed in this structural model, namely Collinearity / Variance Inflation Factor / VIF) and R-Square (Rumengan Jemmy et.al., 2019: 172-178).

#### a. Collinearity (Colinearity/ Variance Inflation Factor/ VIF)

The collinearity test (Colinearity/ Variance Inflation Factor/ VIF) aims to prove whether the correlation between latent variables/ constructs is strong or not. If there is a strong correlation, it means that the model has problems from a methodological point of view, because it has an impact on the estimated statistical significance. The value used to analyze it is by looking at the Variance Inflation Factor (VIF) value. If the VIF value  $> 5.0$ , it means that there is a collinearity problem and conversely there is no collinearity problem if the VIF value is  $< 5.0$  (Hair, Hult, Ringle, & Sarstedt, 2014 in Rumengan Jemmy et.al, 2019: 172).

**Table 6** Inner VIF Values

Variabel	Y (Penyerapan Anggaran)	Keterangan
X1 (Kompetensi Sumber Daya Manusia)	1,052	Bebas Multikolinearitas
X2 (Politik Anggaran)	3,760	Bebas Multikolinearitas
X3 (Pengadaan Barang dan Jasa)	3,675	Bebas Multikolinearitas
Z (Pelaksanaan Anggaran)	2,925	Bebas Multikolinearitas

*Source: Processed PLS Data, 2022*

Based on table 6 above, the result is that the Inner VIF value for each construct is  $< 5.0$ . This indicates that there is no multicollinearity problem between the construct variables.



## b. Coefficient of Determination (R-Square)

The purpose of R-Square analysis is to evaluate the accuracy of the predictions of a model. In other words, evaluating how the variation in the value of the endogenous/dependent variable is affected by the variation in the value of the exogenous/independent variable in a path model. The higher the R-Square value, the better an exogenous variable will be in explaining endogenous variables. An R-Square value of 0.75 indicates a strong PLS model, an R-Square of 0.50 indicates a moderate/moderate PLS model and an R-Square of 0.55 indicates a weak PLS model (Ghozali, 2016 in Rumengan Jemmy et. al., 2019: 177).

**Table 7 R-Square Value (Direct)**

Variabel	R Square	R Square Adjusted
Y (Penyerapan Anggaran)	0,860	0,854

Source: Processed PLS Data, 2022

**Table 8 R-Square Value (Indirect)**

Variabel	R Square	R Square Adjusted
Y (Penyerapan Anggaran)	0,900	0,893

Source: Processed PLS Data, 2022

Based on tables 7 and 8 above, the results show that the R-Square in the two tables above shows an R-Square value  $> 0.75$ . This shows that the R-square value is in the strong category, meaning that the stronger the independent (exogenous) variable affects the dependent (endogenous) variable, both direct (direct) and indirect (indirect) R-square testing.

**Table 9 Path Coefficients (Original Sample, T-Statistics & P-Value)**

Variabel	Original Sample (O)	T Statistics ( O/STDEV )	P Values
X1 (Kompetensi Sumber Daya Manusia) -> Y (Penyerapan Anggaran)	-0,036	0,814	0,416
X1*Z -> Y (Penyerapan Anggaran)	0,074	1,997	0,046
X2 (Politik Anggaran) -> Y (Penyerapan Anggaran)	0,359	3,322	0,001
X2*Z -> Y (Penyerapan Anggaran)	0,008	0,079	0,937
X3 (Pengadaan Barang dan Jasa) -> Y (Penyerapan Anggaran)	0,239	2,183	0,029
X3*Z -> Y (Penyerapan Anggaran)	0,216	2,139	0,032
Z (Pelaksanaan Anggaran) -> Y (Penyerapan Anggaran)	0,421	5,072	0,000

Source: Processed PLS Data, 2022

## 4. RESULTS AND DISCUSSION

### 4.1 Hypothesis 1

The results of statistical calculations show that the effect of Human Resource Competence on Budget Absorption has a negative path coefficient of 0.036 and a P-Values of  $0.416 > 0.05$  so that the first hypothesis (H1) is rejected. The negative original sample estimate value indicates that every 0.036 decrease in Human Resource Competence will be followed by an increase in Budget Absorption. In this regard, it can be concluded that Human Resource Competence has no significant negative effect on budget absorption. The competence of human resources has a dominant indicator where human resources work according to their respective expertise, which means it becomes a distinct advantage for government organizations in improving performance in achieving goals.

However, with a very good level of achievement of respondents where the majority said "agree" this cannot prove that human resource competence has a significant effect on budget absorption. The findings of this study do not support the concept of human resource competence in the stakeholder theory, namely that the government as a stakeholder has a human resource role that

# THE INFLUENCE OF HUMAN RESOURCES COMPETENCY, BUDGETING POLITICS AND PROCUREMENT OF GOODS AND SERVICES ON BUDGET ABSORPTION BY BUDGET IMPLEMENTATION AS A MODERATING VARIABLE IN THE GOVERNMENT OF RIAU ISLANDS

Imelda, Fachrudin, Bambang Satriawan, Chablullah Wibisono, Muammar Khaddafi

is in accordance with the competence and proper division of labor according to their specialization so that the planned goals can be achieved. One of the reasons for the insignificant results of this test is that almost 30% of the respondents had tenure of less than one (1) year. This means that in terms of experience these employees are not qualified in carrying out regional financial management.

The results of this study are in line with research conducted by Alumbida (2016), Nugroho (2017), Alimuddin (2018) and Rifka Ramadhani (2019) which proves that human resource competence has no effect on budget absorption.

## 4.2 Hypothesis 2

The results of statistical calculations show that the influence of budget politics on budget absorption has a positive path coefficient of 0.359 and a P-value of  $0.001 < 0.05$  so that the second hypothesis (H2) is accepted. The positive original sample estimate value indicates that every 0.359 increase in Budget Politics will be followed by an increase in Budget Absorption. In connection with this it can be concluded that Budget Politics has a significant positive effect on Budget Absorption.

The results of this study found that the majority of respondents believed that budget allocation according to needs is very important, meaning that in budget allocations adjusted to budget needs that are effective and efficient and have clear and measurable outputs so as to make it easier to realize the budget. Fulfillment of budgetary political needs also has an impact on increasing budget absorption, meaning that as long as the budgetary needs of the executive and legislature are met and determined, it will have an impact on increasing budget absorption. In addition, with the distribution of budget allocations that have been set, it will affect the improvement of public services, so that it will have an impact on development in all areas of the Riau Archipelago Province.

In budgeting with the fulfillment of political needs, the absorption of the budget will be achieved more quickly. Equity distribution of the set budget has an effect on improving public services. However, with a very good level of achievement of respondents where the majority stated "agree" this proves that budgetary politics has a significant effect on budget absorption. The results of this study are in line with research conducted by Sanjaya (2018) which proves that budgetary politics has an effect on budget absorption.

## 4.3 Hypothesis 3

The results of statistical calculations show that the effect of the Procurement of Goods and Services on Budget Absorption has a positive path coefficient of 0.239 and a P-Values of  $0.029 < 0.05$  so that the third hypothesis (H3) is accepted. The positive original sample estimate value indicates that every 0.239 increase in the Procurement of Goods and Services will be followed by an increase in Budget Absorption. In connection with this it can be concluded that the procurement of goods and services has a significant positive effect on budget absorption.

The results of this study found that the majority of respondents believed that regional financial management employees need to understand and be guided by the mechanism for the procurement of goods and services in accordance with the applicable laws and regulations. This is very necessary in order to minimize errors in the implementation of the procurement of goods and services. The importance of certification for goods and services procurement officials, this is very necessary to facilitate regional financial management officials in carrying out goods and services procurement. Regarding Self-Estimated Prices (HPS), it is better to be determined at the beginning of the year so that there is no buildup in the procurement of goods and services at the end of the year. With a very good level of achievement of respondents where the majority stated "agree" this proves that the procurement of goods and services has a significant effect on budget absorption.

The results of this study are in line with research conducted by Setyawan (2016), Gogala (2016) and Alimuddin (2018), which proves that the procurement of goods and services affects budget absorption.



#### 4.4 Hypothesis 4

The results of statistical calculations show that the effect of budget execution on budget absorption has a positive path coefficient of 0.421 and a P-value of  $0.000 > 0.05$  so that the fourth hypothesis (H4) is accepted. A positive original sample estimate value indicates that every 0.421 increase in Budget Execution will be followed by an increase in Budget Absorption. In connection with this it can be concluded that Budget Execution has a significant positive effect on Budget Absorption.

The results of this study found that the majority of respondents believed that the process of verifying contract documents related to the procurement of goods and services by the OPD Finance Section was important, this was done in order to minimize errors in budget execution where errors in budget execution could hinder the budget absorption process. In addition, the cash budget prepared by the OPD should be based on the schedule of activities that have been set at the beginning to be carried out. The implementation of the budget is adjusted to the predetermined cash budget schedule so that it can increase budget absorption. At the stage of disbursing money to partners, it is carried out by BUD after all submission documents are declared complete and correct,

The results of this study are in line with research by Kuswoyo (2011) which proves that the procurement of goods and services affects budget absorption. Likewise Sukadi's research (2012) gave the result that the procurement of goods and services has a positive and significant effect on budget absorption. In line with the results of research conducted by Setyawan (2016), Gogala (2016) and Alimuddin (2018), which proves that the procurement of goods and services affects budget absorption.

#### 4.5 Hypothesis 5

The results of statistical calculations show that the interaction between the variables of Budget Execution and Human Resource Competence on Budget Absorption has a positive path coefficient of 0.074 and a P-Values of  $0.046 < 0.05$  so that the fifth hypothesis (H5) is accepted. The P-Value value  $< 0.05$  indicates that Budget Execution strengthens the relationship between Human Resource Competence and Budget Absorption.

The theory of budget execution explains that the most important thing in budget execution is the budget execution process itself. The process of implementing the budget includes issues that occur within the internal work unit, the process of procuring goods and services, as well as the process of payment mechanisms (budget disbursement), these three things affect the size of the absorption of the budget. Human resources are the only resources that have reason, feeling, desire, ability, skill, knowledge, encouragement, power and work. All of these potential human resources greatly influence the performance of the organization in achieving its goals. So that having adequate human resource competence will improve the performance of budget execution.

The results of this study indicate that budget execution is able to moderate the relationship between human resource competence and budget absorption in the Riau Islands Provincial Government.

#### 4.6 Hypothesis 6

The results of statistical calculations show that the interaction between the variables of Budget Execution and Budget Politics on Budget Absorption has a positive path coefficient of 0.008 and a P-Values of  $0.937 > 0.05$  so that the sixth hypothesis (H6) is rejected. The P-Value value  $> 0.05$  indicates that Budget Execution weakens the relationship between Budget Politics and Budget Absorption.

The theory of budget politics explains that one of the factors that influence the speed of absorption of the budget is the process of determining budget implementation policies that are influenced by various political interests. Budget politics can be interpreted as a process of allocating budgets based on political will and processes, whether carried out by individuals or groups. Budget implementation policies do not depend on budget politics but are policies taken by stakeholders, both the executive (governor) and the legislature (DPRD), so that this affects how fast or slow the absorption of the budget is.

## THE INFLUENCE OF HUMAN RESOURCES COMPETENCY, BUDGETING POLITICS AND PROCUREMENT OF GOODS AND SERVICES ON BUDGET ABSORPTION BY BUDGET IMPLEMENTATION AS A MODERATING VARIABLE IN THE GOVERNMENT OF RIAU ISLANDS

Imelda, Fachrudin, Bambang Satriawan, Chablullah Wibisono, Muammar Khaddafi

The results of this study indicate that budget execution is not able to moderate the relationship between budget politics and budget absorption in the Riau Islands Provincial Government.

### 4.7 Hypothesis 7

The results of statistical calculations show that the interaction between the variables of Budget Execution and Procurement of Goods and Services on Budget Absorption has a positive path coefficient of 0.216 and a P-Values of 0.032 < 0.05 so that the seventh hypothesis (H7) is accepted. The P-Value value < 0.05 indicates that the Budget Execution strengthens the relationship between the Procurement of Goods and Services and the Absorption of the Budget.

Budget implementation is the implementation of budget planning that has been prepared. The most important thing in implementing the budget is the process of executing the budget itself. The process of implementing the budget includes issues that occur within the internal work unit, the process of procuring goods and services, as well as the process of payment mechanisms (budget disbursement). These three things affect the size of the absorption of the budget (Malahayati, 2015). Realization of activity payments is a budget absorption (Herriyanto, 2012). The proportion of the budget for the procurement of goods and services is more than 30-40 percent (Indonesia Procurement Watch, 2011) This large portion is because the procurement of goods and services is a Government activity that has a broad impact on the economy.

The results of this study indicate that budget execution is able to moderate the relationship between procurement of goods and services and budget absorption in the Riau Islands Provincial Government. The results of this study are in line with research conducted by Kurniawati, (2014) which proves that budget execution is able to moderate the relationship between procurement of goods and services to budget absorption.

## 5. CONCLUSIONS AND SUGGESTIONS

### 5.1. Conclusion

Based on the results of research and hypothesis testing that has been done, the results of this study can be concluded as follows:

1. Human Resource Competence has no significant effect on Budget Absorption in the Riau Islands Provincial Government.
2. Budget Politics has a significant effect on Budget Absorption in the Riau Archipelago Provincial Government.
3. Procurement of goods and services has a significant effect on budget absorption in the Riau Islands Provincial Government.
4. Budget Execution has a significant effect on Budget Absorption in the Riau Archipelago Provincial Government.
5. Budget Execution is able to moderate the effect of Human Resource Competence on Budget Absorption in the Provincial Government of the Riau Archipelago.
6. Budget Implementation is not able to moderate the influence of Budget Politics on Budget Absorption in the Provincial Government of the Riau Archipelago.
7. Budget Implementation is able to moderate the influence of the Procurement of Goods and Services on Budget Absorption in the Riau Islands Provincial Government.

### 5.2. Suggestion

The results of this study are expected to be useful as input for the Provincial Government of the Riau Islands in terms of placing employees in charge of regional financial management, it is hoped that they will be in accordance with the competence and educational background possessed by these employees. The results of this study are also expected to motivate future research to conduct further research related to budget absorption. Future researchers who wish to examine budget absorption are advised to add to and consider other variables that are thought to influence

budget absorption, for example organizational commitment, quality of human resources, budget planning, administrative records, environmental uncertainty and the government's internal control system.

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THE INFLUENCE OF HUMAN RESOURCES COMPETENCY, BUDGETING POLITICS AND PROCUREMENT OF GOODS AND SERVICES ON BUDGET ABSORPTION BY BUDGET IMPLEMENTATION AS A MODERATING VARIABLE IN THE GOVERNMENT OF RIAU ISLANDS

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