

WHEN TRUST BACKFIRES: THE MEDIATING ROLE OF TRUST ON BUDGETARY SLACK

Nur Anita^{1*}, Robyansyah², Hutomo Atman Maulana³

^{1,2,3}Politeknik Negeri Bengkalis, Indonesia

³ IPB University, Indonesia

¹nuranita@polbeng.ac.id, ²robbyansyah@polbeng.ac.id,

³hutomomaulana@gmail.com

*Corresponding Author

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Abstract

The objective of the current study is to investigate the mediating effect of trust on the link between procedural justice and budgetary slack with the moderating variable of control monitoring. This study was conducted on 47 civil officers in the Regional Government of Riau Province that are participating in the budgeting process. Data were obtained by a questionnaire, using a 7-point Likert scale derived from prior investigations. Data analysis was performed with Partial Least Squares-Structural Equation Modelling (PLS-SEM) using WarpPLS 7.0. The outcomes of the research suggest that procedural justice can improve trust while trust can increase financial slack. Moreover, the trust mediation has a considerable positive effect on the relationship between procedural justice and slack in the indirect effect, which is contrary to predictions. However, control monitoring was not a moderator of the effect of procedural fairness on confidence. These results suggest a trust paradox phenomena in the public sector that high trust may actually induce opportunistic behaviour in budgeting. This work contributes to the growth of the literature on behavioural accounting in the public sector, especially in Indonesia, and also has practical implications for the local government budget management.

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INTRODUCTION

Budgeting is a basic instrument for organisational management, in both the private and public sectors. The budget is a mechanism for resource allocation and financial control in the government sector and also it is a kind of public accountability to society. In practice, however, the budgeting process is typically confronted with the obstacle of opportunistic behaviour, namely budgetary slack.

Tendency of individuals to overestimate production costs or lower performance targets to make them easier to achieve, and this action is done intentionally is known as budgetary slack (Onsi, 1973; Merchant, 1985). Budgetary slack may result in suboptimal resource distribution (Tagwireyi, 2012), excessive budgetary spending stemming from opulence (Purwandari et al., 2023), and can diminish public accountability and governmental efficacy (Agustina et al., 2026) within the public sector. Research in Indonesia even shows that slack in the budget can produce corruption in regional budgets (Damayanti, 2018). Previous research have shown that the public sector has, in general, more budget slack than the private sector (Busch, 2002) and that management

control mechanisms in the public sector are not helpful in reducing the amount of slack (Islami et al., 2016; Zhang et al., 2017). Strict control methods may even provide an opportunity for slack in Indonesia (Maria et al, 2024). Deviant behavior like budgetary slack that contributes to corruption has not been able to avoid government sector budget control (Damayanti, 2018).

Various elements have been identified as drivers of budgetary slack, one of which is procedural justice in budgeting. Unfair budgeting practices can lead to bad attitudes among individuals, which eventually fosters opportunistic action such as the creation of financial slack. Fair methods that allow individuals to voice their ambitions, employ reliable information and are consistently used, can limit managers' propensity to create financial slack (Özer & Yilmaz, 2011; Langevin & Mendoza, 2013). The research in the Indonesian public sector also indicated that the perception of procedural justice has a negative and significant effect on the tendency to create budgetary slack (Muttakin, 2016).

Trust also plays an important role in determining individual behaviour besides procedural justice. According to Rousseau et al. (1998), trust is the readiness to tolerate vulnerability based on favorable assumptions about other people's intentions or actions. Trust has been acknowledged as a fundamental feature in organizational relationships, impacting cooperation, information sharing, and performance outcomes (Dirks & Ferrin, 2001). Previous literature shows that subordinates' trust in their superiors can reduce individuals' tendency to create budget slack (Langevin & Mendoza, 2013). If people believe their bosses are fair and reliable, they do not need to protect themselves by building in slack. According to social exchange theory, trust develops through reciprocal relationships between individuals and their organizations (Cropanzano & Mitchell, 2005). In addition, organizational commitment is considered a related construct that affects employees' willingness to engage in discretionary behaviors (Meyer & Allen, 1991). Superiors to subordinates' trust and vice versa, the more trust in the scope of government will be, the less budget gap will occur (Zaitul et al., 2021; Adi, 2021; Juniarti et al., 2016; Kartika, 2013).

But the link between procedural justice and trust is not always direct. Other factors such as the monitoring style used by superiors can strengthen or weaken that relationship. Control monitoring is a supervisory method that focuses on close tracking of budget realization, detailed explanation of every deviation, and performance evaluation according to target achievement (Simons, 1995). Prior research suggests that supervisory monitoring can have both positive and negative effects on managerial behavior, depending on the context and implementation (Bouwens & van Lent, 2007). Excessive control monitoring can create psychological pressure and reduce subordinates' trust even when the budgeting procedures are perceived as fair. Subordinates who feel constantly monitored are likely to perceive that their superiors do not trust them, which results in a decrease in trust (Frey, 1997; Bengtsson & Engström, 2014). Trust in superiors mediates the relationship between fair budgeting procedures and a tendency to create budgetary slack (Stanley and Magner, 2007) Other studies also found the mediating effect of managers' trust in superiors on the relationship between procedural justice and the tendency to create slack (Lau & Tan, 2006; Libby & Thorne, 2009). Thus, procedural justice can influence slack through the increase or decrease in managers' trust in their superiors. However, most previous research has been conducted in the private sector or in developed countries, while empirical evidence from the government sector in Indonesia, particularly in Riau Province, is still limited. Likewise, research conducted in nearby Southeast Asian

nations such as Malaysia (Nazri & Iskandar, 2021) also supports the necessity of knowing budgetary slack within the public sector. Research in the Indonesian public sector that simultaneously examines the mediating role of trust and the moderating role of control monitoring is still rare. The persistent gap between budget planning and realization in Riau Province and the recurrent occurrence of SiLPA (Sisa Lebih Perhitungan Anggaran, or Budget Surplus), which reached almost Rp153 billion in 2025, are examples of the phenomena of budgetary slack (Halloriatu, 2026). This suggests that slack is still a significant problem in regional budgeting, which makes Riau a pertinent setting for investigating the behavioral processes that underlie budgetary slack.

This study aims to examine the influence of procedural justice on budgetary slack with trust as a mediating variable and control monitoring as a moderating variable on the influence of procedural justice and budgetary slack in the government agencies of Riau Province. Survey method involving 47 Civil Servants (ASN) within the Regional Government of Riau Province who are involved in the process of budget preparation, submission, or management.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Budgetary Slack

Budgetary slack is defined as the tendency of individuals to overestimate production costs or lower performance targets to make them easier to achieve, and this action is done intentionally (Onsi, 1973; Merchant, 1985). The creation of slack can be influenced by various factors in budgeting (Onsi, 1973) and can arise when individuals have the opportunity in the budgeting preparation and decision-making process, where the evaluation will later be based on the achievement of the budget. Budgetary slack is not merely an error in estimation, but rather a form of opportunistic behaviour deliberately carried out by individuals to gain advantages or reduce risks in case the targets are not met.

Budgetary slack is a concern in public organizations because the budget is the primary instrument for planning, resource allocation, control and accountability to the public. Excessive slack may cause misallocation of resources and reduce the efficiency of budget execution. Budgetary slack is a behavioral phenomenon influenced by budgeting mechanisms, perceptions of fairness and control systems in the organization, as demonstrated in a number of studies. Rohma and Anita (2024) showed that slack detection and distributive justice can increase an individual's tendency to create slack, and feedback is needed to increase the effectiveness of contract mechanisms as a form of formal control in companies to mitigate budgetary slack (Anita and Rohma, 2020). The results suggest that formal control might be an important mechanism to control opportunistic behavior in budgeting. However, the effectiveness of control depends on the existence of control but also on the interaction of control mechanisms with the perceptions and social relations within the organization. Thus, research on budgetary slack needs to take into account both formal control mechanisms and social mechanisms such as procedural justice and trust.

Procedural Justice and Trust

Procedural justice refers to people's views of the degree to which decision-making procedures are consistent, free from bias, based on accurate information, correctable, consider the interests of those affected, and follow ethical principles (Tran & Järvinen, 2022). If people believe in the fairness of the procedures used in budgeting it may improve the acceptance of the decisions made by the organization and can create

a positive relationship between the superiors and subordinates (Lau & Tan, 2006). If subordinates perceive that superiors apply procedures consistently and are given the opportunity to participate in the decision-making process within the organization, this can foster trust from subordinates towards superiors, making procedural justice an important antecedent for the formation of trust in the superior-subordinate relationship. Based on that argument, the higher the subordinates' perception of procedural justice in the budgeting process, the higher the subordinates' trust in their superiors.

H1: Procedural justice has a positive effect on trust.

Trust and Budgetary Slack

Trust is a social mechanism that can be used as an informal control in the relationship between superiors and subordinates (Adi & Lestari, 2022). Trust in superiors in the budgeting process can reduce the propensity of an individual to use slack for self-protection purposes. If subordinates believe that their superiors will act fairly and not exploit the information provided by subordinates for opportunistic behaviour, then subordinates will not feel pressured to create budgetary slack (Langevin & Mendoza, 2013). Maiga and Jacobs (2007) found that trust can enhance commitment to achieving budgetary goals, which can then reduce the occurrence of slack, supported by Langevin and Mendoza (2013) who found that trust arising from good control system management can mitigate opportunistic behaviours such as slack. Based on that perspective, higher trust in superiors is expected to reduce individuals' tendency to create budgetary slack.

H2: Trust negatively affects budgetary slack.

The Mediating Role of Trust

Procedural justice can not only directly influence budgetary slack but can also affect individual behaviour in budgeting through trust. Fair procedures can signal to individuals that their contributions within the organization are valued, and demonstrate that supervisors will use information appropriately and not make arbitrary decisions (Lau & Tan, 2006). This perception can enhance an individual's trust in their superior. Furthermore, the formation of trust will reduce subordinates' tendency to engage in defensive or opportunistic behaviour in budget preparation (Langevin & Mendoza, 2013). Thus, procedural justice can enhance trust, which is subsequently related to a decrease in the tendency to create budgetary slack (Maiga & Jacobs, 2007; Langevin & Mendoza, 2013).

H3: Trust mediates the relationship between procedural justice and budgetary slack.

The Moderating Role of Control Monitoring

Control monitoring is a supervision mechanism used to ensure that the activities and performance of subordinates align with the targets, procedures, and regulations implemented by the organization. In the relationship between superiors and subordinates, monitoring can be one of the factors that signal the strictness of the level of supervision and control applied by the organization. Tighter monitoring may limit the freedom of subordinates to act. This could be because the supervisors trusted less in the decisions and actions of their subordinates (Douthit et al., 2022). Monitoring may therefore have an impact on the quality of social relations between superiors and subordinates, including the level of trust as perceived by subordinates. The effect of

monitoring on budgetary slack is determined by the budget factors that are considered (Verawati et al., 2025). Monitoring not only serves as a tool in control tasked with overseeing and monitoring performance but can also affect interpersonal relationships within the organization (Verawati et al., 2025; Douthit et al., 2022). Thus, if control monitoring is high, it is expected that the influence of procedural justice on trust will weaken. Conversely, at lower levels of monitoring, the influence of procedural justice on trust is expected to strengthen because subordinates feel more freedom and relationships based on trust.

H4: Control monitoring weakens the influence of procedural justice on trust.

RESEARCH METHOD

Data Collection

This research uses a survey method with participants consisting of State Civil Apparatus (ASN) within the Riau Provincial Regional Government who are involved in the process of budget preparation, submission, or management. The respondents were administered the questionnaire online. The research instrument was adapted from previous studies using 7-point Likert scale such as procedural justice (Colquitt, 2001), control monitoring (Simons, 1995), trust in the supervisor (McAllister, 1995; Lau & Tan, 2006), and budgetary slack (Onsi, 1973; Merchant, 1985; Dunk, 1993; Van der Stede, 2000; Purwandari et al., 2023; Kurnianto & Sulistyawati, 2023). Data analysis in this study uses Structural Equation Modelling (SEM) with WarpPLS 7.0. The determination of sample size refers to Cohen (1992) with consideration of statistical power and effect size, as well as Hair et al. (2013) with the 10-times rule. With a maximum of 3 arrows pointing to one endogenous construct and a significance level of 5% with a minimum expected R-Square value between 0.5 – 0.2, the required sample size is approximately 38 – 59 samples. According to these criteria, the minimum number of samples successfully collected for this study, which is a total of 47 respondents has been achieved.

Variable Measurement

In this study, procedural justice is the independent variable, trust is the mediating variable, budgetary slack is the dependent variable and control monitoring is the moderating variable. Procedural justice was measured using 3 items adapted from Colquitt (2001) and Greenberg (1990). The control monitoring variable was measured using 3 items adopted from Simons (1995) and Gupta & Singh (2015). The trust variable was measured using 5 items adapted from McAllister (1995) and Lau & Tan (2006). The budgetary slack variables were measured by 10 items adopted from Onsi (1973), Merchant (1985), Dunk (1993), Van der Stede (2000), Purwandari et al. (2023), and Kurnianto & Sulistyawati (2023) respectively. All instruments are contextualized to the public sector budgeting context and measured on a 7-point Likert scale (1 = strongly disagree to 7 = strongly agree). The questionnaire was distributed online to 47 Riau Provincial Government civil servants involved in the budgeting process for preparation, submission, or management. The data analysis was performed using Structural Equation Modeling (SEM) via WarpPLS 7.0.

RESULTS AND DISCUSSION

Research Participants

This research is a quantitative study involving 47 Civil Servants (ASN) within the Provincial Government of Riau who are involved in the process of budget preparation,

submission, or management as respondents. The research data were processed using Structural Equation Modelling (SEM) with WarpPLS 7.0. The characteristics of the respondents can be seen in Table 1.

Table 1. Demographic Characteristics of the Sample

Description	Category	Frequency	%	Total Frequency	Total %
Gender	Male	28	59,57%	47	100%
	Female	19	40,43%		
Age	20–29 years	12	25,53%	47	100%
	30–39 years	12	25,53%		
	40–49 years	16	34,04%		
	50–59 years	7	14,89%		
Work Experience	Less than 5 years	20	42,55%	47	100%
	5–10 years	14	29,79%		
	More than 10 years	13	27,66%		

Source: Processed Data, 2026

This study examines the effect of procedural justice on budgetary slack with trust as a mediating variable and control monitoring as a moderating variable. This study proposes 4 (four) research hypotheses that are tested using WarpPLS 7.0. Here are the proposed research hypotheses:

H1: Procedural justice has a positive effect on trust.

H2: Trust negatively affects budgetary slack.

H3: Trust mediates the relationship between procedural justice and budgetary slack.

H4: Control monitoring weakens the influence of procedural justice on trust.

Measurement Model

Based on Figure 1, the constructs in this study have four latent variables, namely procedural justice, control monitoring, trust, and budgetary slack. The independent variable in this study is procedural justice, the mediating variable is trust, the dependent variable is budgetary slack, and the moderating variable is control monitoring.

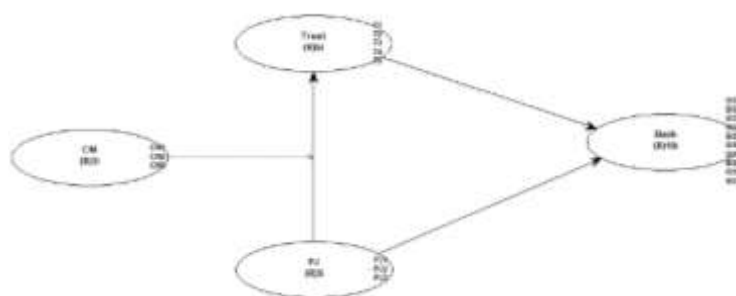


Figure1. Measurement Model

Preliminary Analysis

The analysis in this study uses SEM-PLS (Structural Equation Modeling-Partial Least Square) with the WarpPLS 7.0 program. Multivariate analysis is the application of statistical methods to simultaneously analyse several research variables (Sholihin & Ratmono, 2013). The measurement of research variables is conducted by testing convergent validity and discriminant validity. In the convergent validity test, the rule of thumb that can be used is factor loading > 0.7, composite reliability > 0.7, and average variance extracted (AVE) > 0.5 (Hair et al., 2013). Indicators with loading below 0.5 are

removed from the model (Hair et al., 2013). Meanwhile, several items with loadings between 0.5–0.7 are retained to meet the content validity of the construct (Hair et al., 2013). The AVE values of each variable show figures above 0.5, thus the convergent validity for each variable has been met. The discriminant validity test is conducted by comparing the square root of the AVE of each construct with the correlation between constructs (Fornell & Larcker, 1981). The reliability of the construct is measured using Cronbach's Alpha and Composite Reliability with a minimum required value of > 0.7 (Nunnally & Bernstein, 1994). After the measurement model is declared valid and reliable, hypothesis testing is conducted by examining the path coefficients and p-values in the structural model through the bootstrapping procedure (Hair et al., 2013).

Table 2. Combined Loading and Cross Loading

	Slack	CM	Trust	PJ	CM*PJ	SE	P value
BS1	0.527	-0.076	-0.235	-0.006	0.109	0.118	<0.001
BS2	0.743	-0.135	-0.058	-0.174	-0.264	0.109	<0.001
BS3	0.845	0.068	-0.277	-0.186	-0.256	0.104	<0.001
BS4	0.591	-0.356	0.074	-0.076	0.328	0.115	<0.001
BS5	0.824	0.043	-0.036	0.345	0.323	0.105	<0.001
BS6	0.767	0.554	0.025	0.049	-0.091	0.108	<0.001
BS7	0.680	-0.246	-0.237	-0.306	-0.467	0.111	<0.001
BS8	0.752	0.549	0.138	-0.057	-0.045	0.108	<0.001
BS9	0.823	-0.176	0.232	0.089	0.097	0.105	<0.001
BS10	0.716	-0.375	0.327	0.266	0.330	0.110	<0.001
CM1	0.226	0.893	-0.155	0.082	-0.040	0.102	<0.001
CM2	-0.215	0.945	0.191	-0.055	-0.046	0.100	<0.001
CM3	0.002	0.889	-0.047	-0.023	0.089	0.103	<0.001
T1	-0.015	0.149	0.883	0.118	-0.115	0.103	<0.001
T2	-0.214	0.039	0.915	0.063	-0.035	0.102	<0.001
T3	0.460	-0.297	0.863	-0.089	-0.074	0.104	<0.001
T4	-0.080	-0.009	0.940	-0.047	0.057	0.100	<0.001
T5	-0.123	0.107	0.918	-0.044	0.157	0.101	<0.001
PJ1	-0.097	0.162	-0.010	0.933	-0.067	0.101	<0.001
PJ2	-0.214	-0.029	0.138	0.935	-0.006	0.101	<0.001
PJ3	0.323	-0.138	-0.133	0.899	0.075	0.102	<0.001
CM*PJ	0.000	-0.000	-0.000	-0.000	1.000	0.098	<0.001

Source: Output of WarPLS data processing, 2026

Table 3. Latent Variable Coefficient

	Slack	CM	Trust	PJ	CM*PJ
R-squared	0.553	-	0.387	-	-
Composite Reliability	0.920	0.935	0.957	0.945	1.000
Cronbach's Alpha	0.901	0.895	0.944	0.913	1.000
Average Variances Extracted	0.538	0.827	0.818	0.851	1.000
Full Collinearity VIFs	2.744	2.026	1.985	2.106	1.475

Source: Output of WarPLS data processing, 2026

The rule of thumb for composite reliability is expected to be 0.7 or higher, and AVE 0.5 or higher (Chin, 1995; Hartono, 2011). The results in Table 3 show that the values of composite reliability, Cronbach's alpha, and AVE have met the requirements. Cronbach's alpha and composite reliability can be used to assess the reliability of a construct by measuring the lower bound of the construct's reliability value, which, according to the rule of thumb, should be greater than 0.7 (>0.7). Table 3 shows that the

values of Cronbach's alpha and composite reliability for each indicator of the latent variable are greater than 0.7 (>0.7), thus meeting the reliability assumption. To address potential common method bias, the full collinearity VIF test was employed (Kock, 2015). The results show that all VIF values are below 3.3 (ranging from 1.475 to 2.744), indicating that common method bias is not a serious concern in this study.

Table 4. Correlation among latent variables

	Slack	CM	Trust	PJ	CM*PJ
Slack	(0.733)	0.687	0.656	0.632	-0.325
CM		(0.910)	0.536	0.561	-0.320
Trust			(0.904)	0.520	-0.441
PJ				(0.923)	-0.517
CM*PJ					(1.000)

Source: Output of WarPLS data processing, 2026

Table 3 explains that the square root of AVE (in Table 4, shown in the diagonal column and enclosed in parentheses) has a higher value than the correlation between latent variables found in the columns other than the diagonal column, indicating that discriminant validity has been met.

Structural Model

Figure 2 shows the structural model of this research.

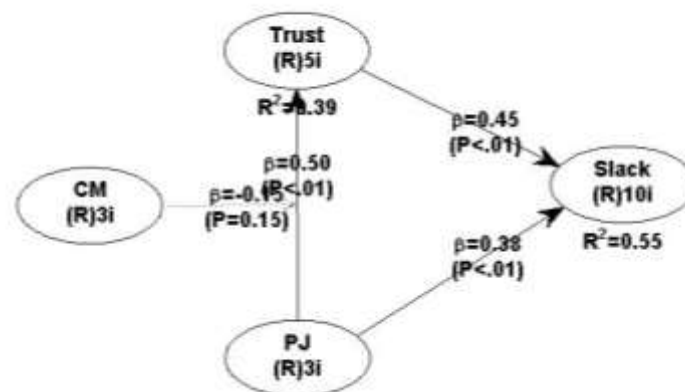


Figure 2. Structural Model

The research model will be considered fit when the p-value for APC and ARS is less than 0.05 or significant, and the AVIF (variance inflation factor) value is less than 5 (Sholihin and Ratmono, 2020). Table 4 shows significant APC and ARS values at <0.001 and <0.01 and an AVIF value below 5, which means that this research model is fit and supported by the data.

Table 5. Model Fit Indicators & P values

APC=0.370, P=0.001
ARS= 0.470, P<0.001
AVIF= 2.302, acceptable if <= 5, ideally <= 3.3

Source: Output of WarPLS data processing, 2026

In this research, the relationship between procedural justice and budgetary slack is indirectly tested with trust as a mediating variable, and control monitoring as a moderating variable. Hypothesis testing is done by significance level (p-value). If p-value < 0.01 it is significant at 1% level and if p-value < 0.05 it is significant at 5% level. A positive path coefficient indicates that the independent variable has a positive effect

on the dependent variable, and a negative path coefficient indicates a negative effect. The first hypothesis (H1) predicts a positive effect of procedural justice on trust. The second hypothesis (H2) predicts a negative effect of trust on budgetary slack. The third hypothesis (H3) predicts the mediating role of trust in the relationship between procedural justice and budgetary slack. Meanwhile, the fourth hypothesis (H4) predicts that control monitoring weakens the effect of procedural justice on trust. The results of the hypothesis testing are presented in Table 6.

Table 6. Hypothesis Testing

Path	Path Coefficient	P Values	R-Squared	Mediation Type
PJ - Trust (H1)	0.497	<0.001***	0.387	
Trust - Slack (H2)	0.454	<0.001***	0.553	
PJ- Slack (Direct Effect)	0.384	0.002		
PJ - Trust - Slack (H3)	0.226	0.010**	0.553	Partial
PJ*CM - Trust (H4)	-0.145	0.149	0.387	

Source: Output of WarPLS data processing, 2026

Note: Note: Slack= Budgetary Slack, CM= Control Monitoring, T= Trust, PJ= Procedural Justice, ** $p < 0.05$, *** $p < 0.001$.

Table 5 presents the results of the hypothesis testing. Procedural justice has a positive and significant effect on trust ($\beta = 0.497$, $p < 0.001$), thus H1 is accepted. Trust has a positive effect on budgetary slack ($\beta = 0.454$, $p < 0.001$), contrary to the initial prediction which stated a negative effect; thus H2 is rejected. The indirect effect of procedural justice on budgetary slack through trust is significant ($\beta = 0.226$, $p = 0.010$), but the mediation occurs in the opposite direction, indicating a trust paradox. Meanwhile, control monitoring does not moderate the relationship between procedural justice and trust ($\beta = -0.145$, $p = 0.149$), thus H4 is rejected. The direct impact of procedural justice on budgetary slack was also investigated in order to identify the type of mediation. The findings indicate that budgetary slack is significantly impacted directly by procedural justice ($\beta = 0.384$, $p = 0.002$). The mediation is categorized as partial mediation since the direct effect is still strong even when trust is included as a mediator (Baron & Kenny, 1986).

DISCUSSION

The results of the study indicate that procedural justice may improve the level of trust, but contrary to the expectations, trust has a positive effect on budget slack. Moreover, the indirect effect suggests that there is mediation of trust in the effect of procedural justice on budget slack. This mediation result is also inconsistent with the prediction and suggests a trust paradox in the indirect relationship. Meanwhile, the results of the moderation effect indicate that control monitoring does not moderate the relationship between procedural justice and trust.

Fair budgeting mechanisms and procedures can enhance subordinates' trust in their superiors (Lau & Tan, 2006; Stanley & Magner, 2007). If the target-setting and evaluation processes in budgeting are carried out with fair mechanisms, civil servants will have higher trust in their superiors. However, trust levels do not directly lead to ethical behavior. The results of this study are not supported by the results of Gago-Rodríguez and Naranjo-Gil (2016) and Agustina et al. (2024) which revealed that trust could reduce the individual behavior in creating budget slack. This surprising discovery is not an a priori prediction, but rather a post-hoc result that came from the data analysis. Too much trust can result in complacency and the feeling that one is safe at the

moment, and people become less vigilant (Gargiulo & Ertug, 2006; McEvily et al., 2003; Schilke et al., 2026). In standard budgeting trusted subordinates feel comfortable creating slack because they are confident they will not be closely supervised.

The research findings revealed that the higher the level of trust, the more tendency of an individual to create budget slack. High levels of trust can reduce the need for subordinates to monitor. However, if the budgeting process is unmonitored in a high-trust workplace, subordinates have higher chances to act opportunistically (Breuer et al., 2020; Goeschl & Jarke-Neuert, 2017; Pryor et al., 2023). Meta-analytic data supports that trust is a robust predictor of organizational outcomes including risk-taking and task performance (Colquitt et al., 2007). This can be explained by over-trust and moral hazard. Over-trust creates space for opportunistic behavior because the trusted party is aware that the trustor is not very vigilant (Breuer et al., 2020). High trust/low control situations can result in moral hazard in which subordinates may abuse the trust placed in them for their own or unit gain. This is due to information asymmetry where a superior cannot observe all the actions of their subordinates (Goeschl & Jarke-Neuert, 2017). This means that the lack of proper monitoring increases the possibility of budgetary slack.

The relationship between superiors and subordinates based on a high level of trust can reduce the perception of the need for supervision. In this case, without appropriate control mechanisms to support the trust, subordinates may use the flexibility to engage in opportunistic behavior in the budget preparation (Douthit et al., 2022). The findings show that trust and formal control mechanisms can be substitutes for each other in the governance of organizations. However, if the trust is not supported by proper monitoring, that trust can be exploited, leading to an escalation of opportunistic behavior such as budgetary slack (Douthit et al., 2022; Adi & Lestari, 2022).

This can be further explained if one considers the paternalistic bureaucracy of Indonesia. In the Indonesian public sector, the superior-subordinate relationship is often marked by personal loyalty and high trust. Rather than a control mechanism, this trust can be considered as “slack” that facilitates opportunistic behavior (Adi & Lestari, 2022). In a paternalistic culture, high trust can be viewed as relational slack, where subordinates feel entitled to pile on padding to their budgets as a buffer against policy uncertainty or pressure from superiors (Purwandari et al., 2023).

Thus, procedural justice increases trust, but the increase in trust actually encourages slack. This shows that the mediation mechanism does exist, but it does not function as a deterrent mechanism as hypothesised; instead, it acts as a mechanism that facilitates slack. The direct effect of procedural justice on budgetary slack remains significant after the inclusion of trust as a mediator, indicating partial mediation (Baron & Kenny, 1986). The findings suggest that there is potential for further research on the role of trust as an antecedent that can have both positive and negative impacts on the public sector. It is recommended that further research is undertaken to examine the boundary conditions of this trust paradox. This should include the effect of organizational culture, leadership style and incentive systems in moderating the trust / budgetary slack relationship. Furthermore, longitudinal studies are needed to establish the causal direction of the relationships studied in this study and comparisons across sectors may reveal whether this trust paradox is unique to the public sector or whether it is also found in private organizations. However, the self-report measures used in this type of research are prone to typical method bias and should be carefully addressed in future studies (Podsakoff et al., 2003).

CONCLUSION AND SUGGESTION

The results of this study indicate that procedural justice in the budgetary process can improve the trust of subordinates toward their superiors in the setting of ASN in Riau Province. However, the research findings indicate that trust does not always lead to behaviors that enhance organizational goals, as a high level of trust actually increases the propensity of budgetary slack to occur. Trust was found to mediate the relationship between procedural justice and budgetary slack, but in the opposite direction than hypothesized, indicating the existence of the trust paradox phenomenon. The results indicate that when dealing with public sector organizations, especially ASN in Riau Province, trust must be balanced with sufficient monitoring and control mechanisms so that it is not used for opportunistic behavior in the preparation of the budget. It is recommended that further research be conducted to increase the sample size and the scope of the study area, and to consider other factors such as incentive systems, organizational commitment, organizational culture or other control mechanisms that can explain the relationship between trust and budget gaps.

Statement regarding the Use of Artificial Intelligence (AI).

AI is used in the preparation of this manuscript. The author uses artificial intelligence tools solely to assist with language improvement, grammar checking, and editing for clarity and readability. The author remains fully responsible for the accuracy, originality, integrity, and academic content of the manuscript. All AI-assisted content has been reviewed and verified by the author before the manuscript was submitted.

Conflict of interest

The author states that there is no conflict of interest.

Author contributions

Conceptualisation, Nur Anita and Hutomo Atman Maulana; data collection, Nur Anita and Robyansyah; data validation, Nur Anita and Hutomo Atman Maulana; formal analysis, Nur Anita; writing—initial draft preparation, Nur Anita and Robyansyah; writing—review and editing, Nur Anita and Robyansyah; visualisation, Robyansyah. All authors have read and approved the final version of this manuscript.

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