

## Forty Years of Budgetary Slack Research: A Systematic Literature Review and Future Agenda

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Budgetary slack remains a critical issue in management accounting because of its implications for organizational performance, governance, and accountability. Although several review studies have examined budgetary slack, they provide limited insights into the long-term evolution of theories, methods, and research contexts. This study addresses this gap by offering a comprehensive synthesis of budgetary slack research over the past four decades. Using a Systematic Literature Review (SLR) approach, this study analyzes 111 Scopus-indexed articles published between 1985 and 2025 through thematic manual coding and descriptive qualitative analysis. The findings show that budgetary slack research has evolved from a dominant focus on Agency Theory and economic motivations toward broader behavioral, psychological, social, and institutional perspectives. The review also reveals growing attention to public sector settings and developing countries. However, limited integration of interdisciplinary theories and contextual factors, particularly political influences on budgeting behavior, remains evident. This study contributes by mapping the intellectual development of budgetary slack research and proposing a future research agenda based on multi-theoretical approaches. The findings offer practical insights for improving budgeting systems, performance evaluation, and accountability mechanisms.

**Keywords:** Budgetary Slack; Systematic Literature Review; Agency Theory; Behavioral Factors; Public Sector; Political Economy of Accounting

## **INTRODUCTION**

Budgetary slack has remained a focal topic in managerial accounting studies due to its close association with the effectiveness of planning, reporting, and performance evaluation within organizations. Generally, budgetary slack is defined as the deliberate discrepancy between budget estimates and realistic estimates, either by overstating costs or understating revenues, so that budget targets are easier to achieve by the preparer (Chong & Chong, 2002; Dunk, 1995; Lukka, 1988; Merchant, 1985; Onsi, 1973; Schiff & Lewin, 1970).

Slack can be subtly embedded in various budget components, such as operational costs, project timelines, or resource requirements. While some consider slack as a buffer mechanism to anticipate uncertainty, most of the literature categorizes it as a dysfunctional behavior that undermines transparency and organizational accountability (Douglas & Wier, 2000; Maiga et al., 2021; Nouri & Parker, 1998; Van der Stede, 2000). Theoretically, the emergence of slack is often explained through Agency Theory, which posits that slack arises due to conflicts of interest between principals and agents. Managers, as agents who possess more operational knowledge than principals, tend to hide information and exploit weaknesses in control systems for personal gain (Dunk, 1990; Merchant, 1985; Nouri & Parker, 1998; Yilmaz & Comez, 2016).

However, recent developments in research show that slack is not solely caused by economic motives. Several studies have demonstrated that social pressure, procedural justice, and organizational culture significantly influence slack tendencies (Maiga et al., 2021; SeTin & Natalia, 2021; Wentzel, 2015). Furthermore, organizational commitment, personal moral values, as well as injunctive and descriptive norms have been shown to moderate the relationship between budget pressure and the formation of slack (Chong & Johnson, 2007; Chong & Khudzir, 2018; Kren & Maiga, 2007; Maiga et al., 2021). Slack most often occurs in bottom-up budgeting systems, where managers or department heads have wide discretion in drafting budget proposals (Dunk, 1990; Nouri & Parker, 1998). This discretion provides opportunities for manipulating estimates, particularly when management control is weak. In some contexts, slack even emerges as a result of political negotiation between superiors and subordinates, or between departments competing for budget allocations (Lukka, 1988; Moene, 1986; Van der Stede, 2000). The primary actors behind slack are those directly involved in budget preparation and approval, from line managers and responsibility center managers to department heads and central budgeting staff. In organizations with low transparency or a strong culture of compromise, even top executives may be directly involved in creating slack (Kren & Maiga, 2007; SeTin & Natalia, 2021). Temporally, slack most frequently emerges in the early budgeting phase, when proposals are still prepared independently by respective units. In public sector contexts, slack is also commonly found at the end of the fiscal year during revisions or adjustments or near political cycles such as elections and leadership rotations (SeTin & Natalia, 2021; Yuwono et al., 2020; Yuliani & Sutanto, 2017).

Initially, budgetary slack was viewed as a protective mechanism against uncertainties in the operational or market environment (Musrtin & Septiadi, 2016). In this view, slack serves as a hidden cushion that allows organizations to function despite cost fluctuations or resource limitations (Chong & Chong, 2002; Lukka, 1988; Yilmaz & Comez, 2016.; Irfan et al., 2016). However, contemporary understanding of slack has shifted as managerial accounting literature increasingly highlights that this practice can also reflect principal-agent conflicts, as comprehensively explained by Agency Theory (Dunk, 1990; Maiga & Jacobs, 2007; Merchant, 1985; Nouri & Parker, 1998; Van der Stede, 2000). Such conflict arises because managers, acting as agents, have informational

advantages over principals. When managers are authorized to set budgets and are simultaneously evaluated based on budget achievement, they have both economic and psychological incentives to create slack (Chong & Johnson, 2007; Dunk & Perera, 1997; Yuwono et al., 2020). Slack, in this context, becomes a strategy to lower superior expectations and create "easy targets" (low-ball targets) to increase the chances of earning bonuses or maintaining reputation (Dunk, 1995; Maiga et al., 2021).

Past research trends also show that slack is not only driven by economic incentives but can be reinforced by imbalanced management control structures—for example, when organizations implement decentralized budgeting without adequate central oversight (Chong & Chong, 2002; Govindarajan, 1986; SeTin & Natalia, 2021). In such structures, the budgeting process often becomes a "negotiation arena" where different parties strive to defend resources, expand authority, or avoid high expectations (Lukka, 1988; Moene, 1986; Van der Stede, 2000). Some studies also note that slack becomes more prevalent in organizations that rely heavily on performance-based incentives but fail to establish transparent and fair verification systems (Maiga et al., 2021; Maiga & Jacobs, 2007; Wentzel, 2015). When incentive and control systems are misaligned, managers are strongly motivated to manipulate budgets for personal or group interests, and in some cases, slack even becomes an informally accepted organizational norm (SeTin & Natalia, 2021).

Research on budgetary slack has significantly evolved since it was first introduced by Schiff and Lewin (Schiff & Lewin, 1970) and Onsi (Onsi, 1973). Early studies were dominated by Agency Theory, which sees slack as a result of principal-agent conflict, particularly when managers hold superior information (information asymmetry) and are given the authority to both set and meet budget targets (Dunk, 1995; Merchant, 1985; Nouri & Parker, 1998). Under this approach, slack is seen as an opportunistic behavior to make performance targets easier to attain and to gain personal benefits, such as bonuses or protection from penalties. Over time, research evolved toward a more contextual and multidimensional perspective. Through Contingency Theory, scholars highlighted the importance of alignment between budgeting systems and organizational environments, including structure, decentralization, and environmental uncertainty (Chong & Chong, 2002; Govindarajan, 1986; Nouri & Parker, 1998). Within this framework, slack is not always perceived negatively, but may represent a rational response to rigid control systems.

Subsequent developments introduced psychological and sociological approaches. Procedural Justice Theory expanded the understanding by showing that perceptions of fairness in the budgeting process determine whether managers will be honest or create slack (Maiga & Jacobs, 2007; Wentzel, 2015). When procedural fairness is low, slack emerges as a form of resistance or compensation for perceived injustice. In the past decade, the focus of slack research has increasingly shifted to behavioral and organizational culture approaches. Studies using Social Norm Theory and Moral Disengagement Theory found that slack is often influenced by group norms and values embedded within organizations. When budget manipulation is normalized or becomes common practice, individuals more easily disengage from moral accountability (Maiga et al., 2021; SeTin & Natalia, 2021). Factors such as social pressure, leadership style, and personal ethics have also been shown to contribute to slack formation (Chong & Johnson, 2007; Douglas & Wier, 2000). In addition to theoretical diversity, slack research has also expanded in terms of institutional context. While earlier research was mostly carried out in the private sector, there is a growing number of research that focuses on slack in the public domain, as, depending on the setting, slack can be an individual decision as much as it is a consequence of bureaucratic dynamics, budget politics and formal incentive systems (Moene, 1986; SeTin & Natalia, 2021). In reality, slack is all too

apparent in profit and nonprofit institutions alike. The public sector may be affected by its presence depending on the political interests, budget timing, or the application of inter-government transfer funds (SeTin & Natalia, 2021). Occurrences of overbudgeting in pre-electoral years, pre audit adjustments and budgeting games to create slack illustrate slack as a tool to handle expectational outside of and within the organization.

Many studies have investigated the antecedents of slack insertion, and have proposed that the process of budget padding is multidimensional. One of the most widely discussed antecedents is budgetary participation. For instance, Dunk (1995) and Nouri & Parker (1998) found that high level of participation in budgeting process can increase the amount of slack, specifically when managers utilise their discretion in a tactical manner. Yet another theme that crops up is that of information asymmetry. When subordinates have superior information than their higher-ups, they may have opportunities to revise budget targets in their favor, as revealed by Dunk & Perera (1997). Performance pressure is closely associated to this construct, and is cited by Chong & Johnson (2007) and Van der Stede (2000) as managers trying to avoid damage to their image and job status within the organisation. Other research has focused on the moderating role of organizational commitment. Douglas and Wier (2000) also expose that high commitment individuals are more likely to be honest input providers and low commitment individuals are more likely to embrace slack.

Social and cultural factors are coming under greater scrutiny by researchers in recent years. Maiga et al. (2021) and SeTin & Natalia (2021) investigated how social norms, peer pressure and collectivist culture influence slack-related behaviour across contexts. So do the spines of organizations. Lukka (1988) and Moene (1986) emphasized the impact of leadership style, institutional power and culture on the slack space. In bureaucratic and centralized systems slack typically occurs because of a lack of communication between field units and top management (Yuwono et al., 2020). Other scholars have gone on to address psychological and moral issues. Factors, such as moral disengagement, interpersonal trust, and ethical orientation have been shown to be related with the likelihood of creating slack. (Bussey & Bandura, 1999; Maiga et al., 2021). These findings reinforce the idea that budgetary slack is not driven by a single factor. Rather, it reflects the interaction between system design, individual motivations, organizational pressures, and social context (Maiga & Jacobs, 2007; Merchant, 1985).

Quantitatively, research trends on slack have increased significantly over the past two decades. Based on an analysis of 111 articles published in the Scopus database, publication spikes occurred in 2015 (12 articles), followed by 2019 (10 articles), and in 2017–2018. These spikes reflect growing scholarly interest in slack across various domains, including management control (Maiga & Jacobs, 2007; Van der Stede, 2000) behavioral accounting (Chong & Johnson, 2007; Douglas & Wier, 2000), and public sector accounting (Achmad et al., 2022; SeTin & Natalia, 2021). However, although the volume of research has increased, it is still predominantly quantitative in nature, with a focus on the private sector and developed countries such as the United States, Australia, and Western Europe. In contrast, research in public sector organizations, especially in developing countries like Indonesia, remains limited (SeTin & Natalia, 2021; Yuwono et al., 2020). Yet slack is often systemic in bureaucracies, driven by budget absorption pressures, political cycles, and formalistic logic in public financial systems (Achmad et al., 2022; Moene, 1986).

These limitations indicate that significant opportunities remain for advancing budgetary slack research. Existing studies predominantly rely on Agency Theory and quantitative approaches, with limited integration of behavioral, social, institutional, and political perspectives that could provide a more comprehensive understanding of slack behavior.

Furthermore, the role of contextual factors, particularly organizational culture, power dynamics, and public sector characteristics in developing countries, remains underexplored. Research examining the interaction of mediating and moderating variables that link budgeting systems to slack formation is also relatively scarce. To address these gaps, this study offers a comprehensive Systematic Literature Review of 111 Scopus-indexed articles published between 1985 and 2025. Unlike prior reviews, it simultaneously synthesizes the evolution of theories, methods, variables, and research contexts, thereby providing a more holistic understanding of budgetary slack and identifying future research opportunities, including the incorporation of interdisciplinary perspectives such as the Political Economy of Accounting. Based on these conditions, this study aims to conduct a Systematic Literature Review (SLR) of scholarly articles discussing budgetary slack behavior comprehensively. The focus of this SLR includes: (1) publication trends and topic developments by year and organizational context, (2) theories used and their evolution over time, (3) key variables as antecedents and consequences of slack, and (4) research methods and approaches employed. This study is expected to provide a comprehensive literature map and identify research gaps that can serve as a foundation for future studies.

A closer look at recent publication trends reveals that interest in budgetary slack, while longstanding, has not shown steady growth over time. Although there was a noticeable increase in studies around 2015, the overall trend since then has remained flat or even declined in some years. This pattern may reflect a slowdown in theoretical development or a narrowing of focus in the field. Much of the literature continues to rely on agency-based models and quantitative techniques, which, while useful, often overlook the contextual and behavioral dimensions of slack especially in public sector organizations and developing countries. As budgeting practices become more complex and intertwined with ethical, political, and cultural factors, there is a growing need to re-examine how slack is studied. For these reasons, this review does not aim merely to summarize existing findings, but to revisit the theoretical foundations of slack research, highlight gaps in current knowledge, and propose directions for future inquiry that better reflect the realities faced by contemporary organizations.

## **LITERATURE REVIEW**

The phenomenon of budgetary slack has long been recognized as a critical issue in managerial accounting literature, following its initial conceptualization by Schiff and Lewin (1970), who defined it as a deliberate discrepancy between budget estimates and realistic projections. Such behavior reflects managerial efforts to establish a performance cushion, typically by overestimating costs or underestimating revenues. Subsequent studies by Onsi (Onsi, 1973), Merchant (Merchant, 1985) and Dunk (1995) further reinforced the notion that slack may produce an illusion of efficiency, thereby complicating objective performance evaluations. Given the extensive and evolving nature of this topic, the current study seeks to address the following research question: "How has the academic literature on budgetary slack evolved over the past 40 years in terms of publication trends, theoretical perspectives, research variables, and methodologies used?"

Early research predominantly employed Agency Theory to explain the motivations underlying managerial slack behavior. This theory posits inherent conflicts of interest between principals and agents, coupled with information asymmetry that enables agents to conceal true information for personal advantage (Dunk, 1995; Merchant, 1985; Nouri & Parker, 1998). A review of 111 scholarly articles revealed that 45 explicitly applied the agency framework. Within this perspective, slack is primarily driven by monetary incentives such as performance bonuses (Chong & Johnson, 2007), control systems

based on performance metrics (Van der Stede, 2000), and superior-imposed pressure to meet targets irrespective of resource constraints (SeTin & Natalia, 2021).

As budgetary slack research developed, some scholars began to adopt Contingency Theory to better understand how slack operates under different organizational conditions. This theory focuses on how budgeting systems must align with their surrounding environment, including task complexity and structural factors (Chong & Chong, 2002; Govindarajan, 1986). In studies using this lens, slack was not always seen as negative. Instead, in settings with high uncertainty or limited resources such as remote public institutions slack sometimes served as a buffer to absorb shocks or delays (Dunk, 1995; Nouri & Parker, 1998). It was seen as a practical way to manage unpredictability and protect institutional performance.

Around the same time, Procedural Justice Theory began to appear in the literature. This perspective shifted attention to how budgeting fairness or the lack of it can influence managers' behavior. When individuals feel excluded or unfairly treated in budget processes, they may react by intentionally introducing slack, as a way to regain control or balance perceived inequities (Douglas & Wier, 2000; Wentzel, 2015). A number of studies have highlighted that participation, transparency, and perceived fairness are key factors that affect the likelihood of slack behavior (Maiga & Jacobs, 2007).

In the past decade, behavioral and sociological approaches have gained more attention. Several articles applied Social Norm Theory, showing how workplace culture and peer influence shape what is seen as "acceptable" slack (Maiga et al., 2021; SeTin & Natalia, 2021). When slack becomes part of routine practice and is tolerated or even encouraged within teams, individuals may go along with it simply because it feels normal (Yuwono et al., 2020). This normalization process often happens quietly, reinforced through informal cues rather than formal policies.

A more recent contribution comes from Moral Disengagement Theory, which has been used to explain why some individuals can create slack while still seeing themselves as ethical. Bussey & Bandura (1999) pointed out that people can psychologically distance themselves from their own actions when they believe those actions are necessary or justified. In bureaucratic organizations, slack may even be framed as a way to survive within rigid systems (SeTin & Natalia, 2021).

The review also identified the application of alternative theoretical perspectives such as Organizational Culture Theory, Social Exchange Theory, Goal-Setting Theory, and Institutional Theory. For instance, leadership style whether participative or authoritarian has been shown to influence managers' tendency to engage in slack (Maiga & Jacobs, 2007).. Likewise, institutional dynamics, including normative and mimetic pressures among peer organizations, have been associated with the adoption of slack-related practices in complex budgeting environments (Achmad et al., 2022; SeTin & Natalia, 2021). These findings reflect a shift in slack research from individualistic, economically driven models toward more collective, norm-based, and contextually grounded perspectives. To illustrate this evolution, Table 1 presents a comparative summary of ten major theoretical frameworks used in budgetary slack studies.

**Table 1. Comparative Overview of the Ten Major Theories in Budgetary Slack Research**

<b>Theory</b>	<b>Core Assumptions</b>	<b>Key Drivers of Slack</b>	<b>View on Slack Behavior</b>	<b>Typical Context</b>
<b>Agency Theory</b>	Conflicts between principals and agents arise due to information asymmetry.	Information asymmetry, incentive structures, performance-based control.	Opportunistic behavior for personal gain.	Private sector, performance-driven orgs.
<b>Contingency Theory</b>	The effectiveness of systems depends on their fit with the external environment.	Environmental uncertainty, decentralization, task complexity.	Slack as an adaptive mechanism or buffer.	Dynamic, uncertain environments.
<b>Procedural Justice Theory</b>	Perceived fairness in processes affects behavioral responses.	Lack of participation, unjust budgeting procedures.	Slack as resistance or compensation for injustice.	Rigid, top-down control systems.
<b>Social Norm Theory</b>	Behavior is shaped by shared norms and peer expectations.	Peer pressure, group norms, collective work culture.	Slack as normalized or socially accepted behavior.	Collectivist or team-oriented cultures.
<b>Moral Disengagement Theory</b>	Individuals rationalize unethical behavior by detaching from moral standards.	Justification, diffusion of responsibility, moral rationalization.	Slack as a morally disengaged practice.	Bureaucratic, politicized environments.
<b>Organizational Culture Theory</b>	Culture shapes patterns of behavior and shared meanings in organizations.	Dominant values, shared beliefs, internal traditions.	Slack as an embedded organizational norm.	Public institutions, SOEs, large firms.
<b>Motivation Theory</b>	Motivation levels influence goal-setting and behavioral choices.	Extrinsic/intrinsic rewards, goal clarity, perceived achievability.	Slack as a result of low motivation or defensive strategy.	Environments with weak goal alignment.
<b>Social Exchange Theory</b>	Social interactions are guided by reciprocal relationships and perceived fairness.	Trust in superiors, expectations of reciprocity, fairness.	Slack as a response to perceived imbalance in exchanges.	Manager-subordinate relations.
<b>Goal-Setting Theory</b>	Specific and challenging goals improve performance if commitment is high.	Goal ambiguity, lack of feedback, misaligned targets.	Slack as a tactic to reduce pressure or enhance achievability.	Task-driven and target-oriented contexts.

Theory	Core Assumptions	Key Drivers of Slack	View on Slack Behavior	Typical Context
<b>Institutional Theory</b>	Organizations conform to institutional norms and pressures for legitimacy.	Normative, coercive, and mimetic pressures.	Slack as a result of institutional isomorphism.	Public sector, regulated environments.

In light of the key themes, theories, and methods identified in the literature, this review seeks to explore two central questions that guide the remainder of the analysis:

Research Question 1: How has budgetary slack research evolved over the past forty years in terms of theoretical frameworks, research variables, and methodological approaches?

Research Question 2: What underexplored themes, contextual settings, and future research opportunities remain within the budgetary slack literature?

## RESEARCH METHOD

This study employs a Systematic Literature Review (SLR) approach to identify, evaluate, and analyze previous research findings related to the phenomenon of budgetary slack. The main objective of using the SLR method is to construct a comprehensive conceptual and methodological synthesis while identifying research trends and gaps that are relevant for future inquiry. This method is considered appropriate for reviewing the literature in a structured and replicable manner, as recommended by Tranfield et al. (Tranfield et al., 2003), Kitchenham and Charters (Kitchenham & Charters, 2007), and Snyder (Snyder, 2019).

The primary source of data was the Scopus database, using the search terms “budgetary slack” OR “budget slack.” The initial search yielded 207 peer-reviewed journal articles. A multi-stage screening process was then applied using strict inclusion criteria. Articles were included if they (1) explicitly addressed budgetary slack as a main research variable, (2) were published between 1985 and 2025, (3) appeared in Scopus-indexed journals, and (4) provided full-text access for analysis. The steps involved in the article selection process are illustrated in Figure 1.

Following the screening process, a total of 111 articles met all inclusion criteria and were subsequently analyzed manually using a thematic approach. To organize the extracted information, the study applied thirteen classification categories, namely: (1) author(s) and year, (2) article title, (3) dependent variables, (4) independent variables, (5) mediating or moderating variables, (6) theories employed, (7) analytical techniques, (8) population and sample, (9) key findings, (10) recommendations for future research, (11) article link, and (12) journal of publication. This structure was developed based on common practices in systematic literature classification.

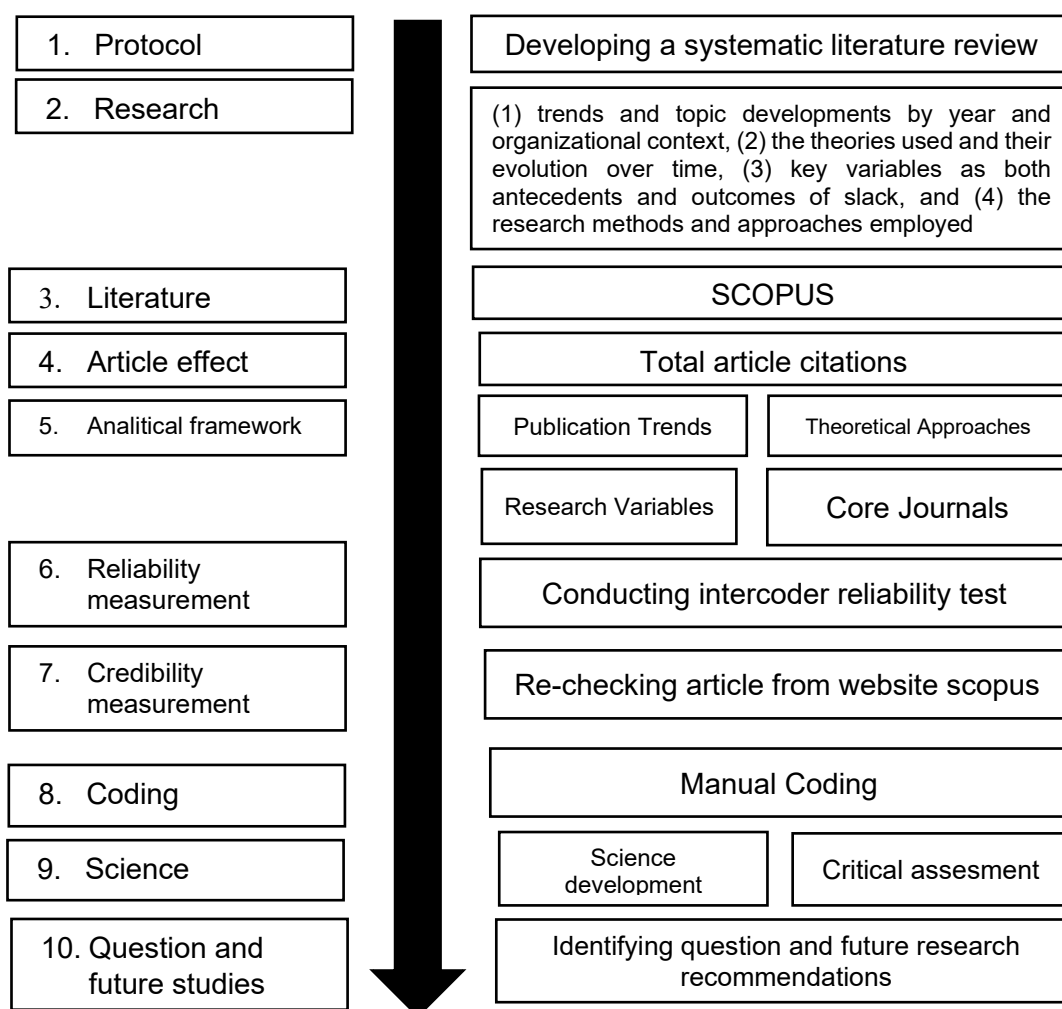
This study used a qualitative descriptive approach to review and map the literature on budgetary slack. The analysis focused on identifying patterns in the theories applied, variables studied, research methods, and suggestions for future work. All coding and categorization were done manually using Microsoft Excel to help organize the data in a consistent and flexible way.

Articles were selected and classified through a step-by-step screening process, starting from initial keyword searches to full-text reviews. The process was carried out iteratively to ensure accuracy and consistency. Following the approach outlined by Moher et al. (2009) and Snyder (2019), this review aimed to be systematic and replicable, allowing other researchers to follow similar procedures.

The period of 1985 to 2025 was selected for this study as the early seminal research on budgetary slack emerged around the mid 1980's, for example Merchant (1985) and Dunk (1995). By incorporating recent publications through 2025, we were able to better represent advances in theory and method from decades past.

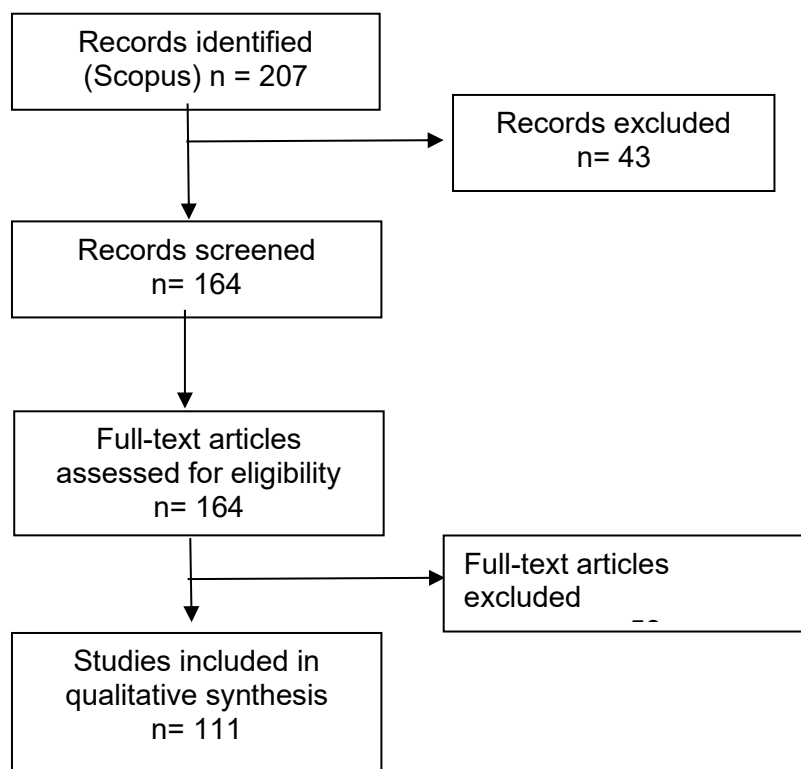
Manual systematic content analysis enabled a closer reading of the articles, for example, identifying nuanced changes in theoretical orientation and analytical emphasis. Than to automation, that manual approach left more room to capture meaning in context and to trace how ideas have changed. The diversity of themes between control systems and ethical/cultural aspects contributed to enrich the integration and demonstrate how budgetary slack has been analyzed from several perspectives through time.

The general research process is illustrated in the figure below: it describes the introduction stage, the literature selection process, data coding, and thematic analysis. This architecture is inspired from Massaro et al. (2016), and were adapted to ensure suitability for this review's specific aims and scope.



**Figure 1.** Research Design of the Systematic Literature Review

The initial search on the Scopus database returned 207 peer-reviewed journal articles that included the keywords “budgetary slack” or “budget slack” in the title, abstract, or keyword fields. After screening for duplicates and non-relevant content based on titles and abstracts, 164 articles remained. These were then reviewed in full, resulting in 111 articles that met the inclusion criteria. To be included, studies had to: (1) explicitly discuss budgetary slack as a primary variable, (2) be published between 1985 and 2025, (3) appear in Scopus-indexed journals, and (4) be available in full text. These 111 articles formed the basis of the thematic analysis conducted in this review. The article selection process is summarized in the PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) flow diagram shown in **Figure 2**.

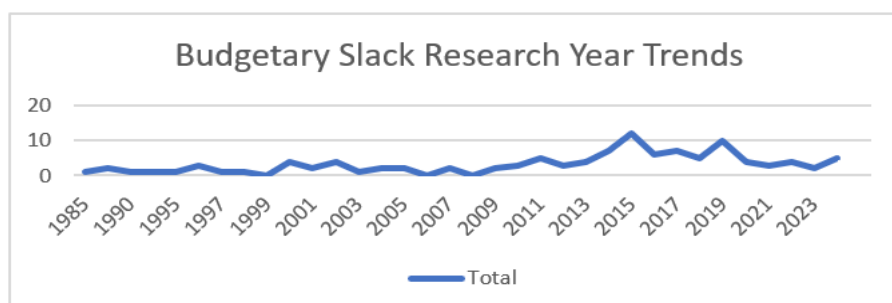


**Figure 2.** PRISMA Flow Diagram of Article Selection Process

## RESULTS

### Trends in Budgetary Slack Research Publications

Publication trends on budgetary slack over the past four decades show fluctuations rather than a steady increase. Significant peaks occurred during 2014–2015 and 2018–2019. Conversely, a decline in publications is observed after 2020. A visual overview is presented in Figure 3.



**Figure 3.** Budgetary Slack Research Year Trends

### Research Methods Used in Budgetary Slack Studies

From the 111 reviewed articles, quantitative methods dominate the field. Structural Equation Modeling (SEM) is the most widely used technique, supported by tools such as SmartPLS, AMOS, and WarpPLS. Regression analyses, including panel data and stepwise regression, are also common. Experimental methods (e.g., 2x2 factorial designs) analyzed using ANOVA, ANCOVA, and t-tests appear in several studies. Qualitative and interpretive approaches are relatively limited.

### Theoretical Frameworks Utilized

Agency Theory is the most frequently applied framework (45 studies). Other commonly used theories include Contingency Theory (16 studies) and Procedural Justice Theory (7 studies). Additional perspectives such as Budget Theory and Social Norm Theory (6 studies each), along with Motivation Theory, Management Control Systems Theory, and Social Exchange Theory, are also identified. A summary is illustrated in Figure 4.

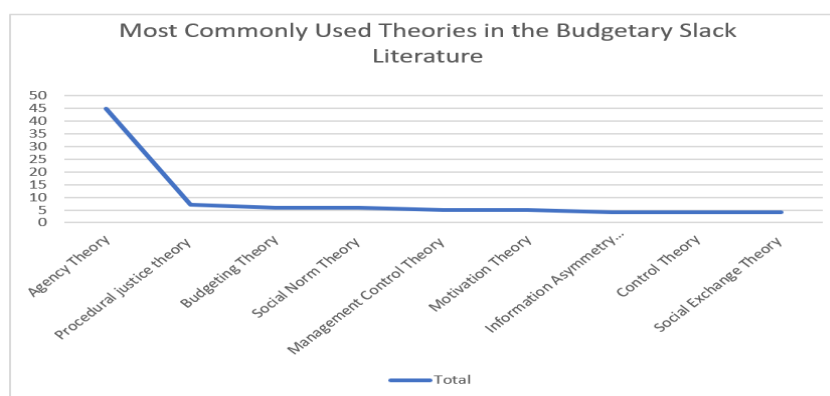


Figure 4. Theoretical Frameworks Utilized

### Variables Examined in Relation to Budgetary Slack

The most frequently examined variables are budgetary participation, information asymmetry, and budgetary pressure. Emerging variables include organizational commitment, trust, ethical orientation, and social pressure. Recent studies also incorporate mediating and moderating variables such as job involvement, fairness in performance appraisal, and perceived environmental uncertainty. A summary is presented in Figure 5.

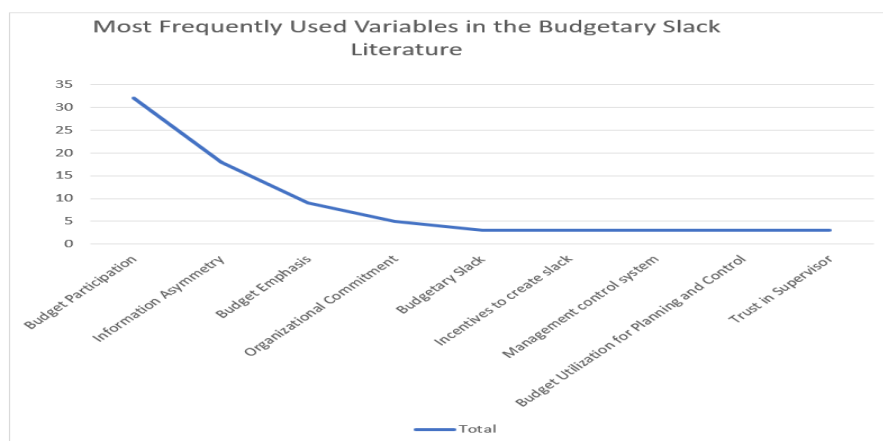


Figure 5. The Most Commonly Studied Antecedents Budgetary Slack

### Core Journals in Budgetary Slack Research

Advances in Management Accounting is the leading journal (10 articles), followed by Advances in Accounting Behavioral Research (5 articles). Other key journals include Accounting, Organizations and Society, The Accounting Review, Journal of Business Ethics, and Management Accounting Research (each with 3 articles). In total, more than 60 journals have contributed to this topic. Figure 6 presents the distribution.

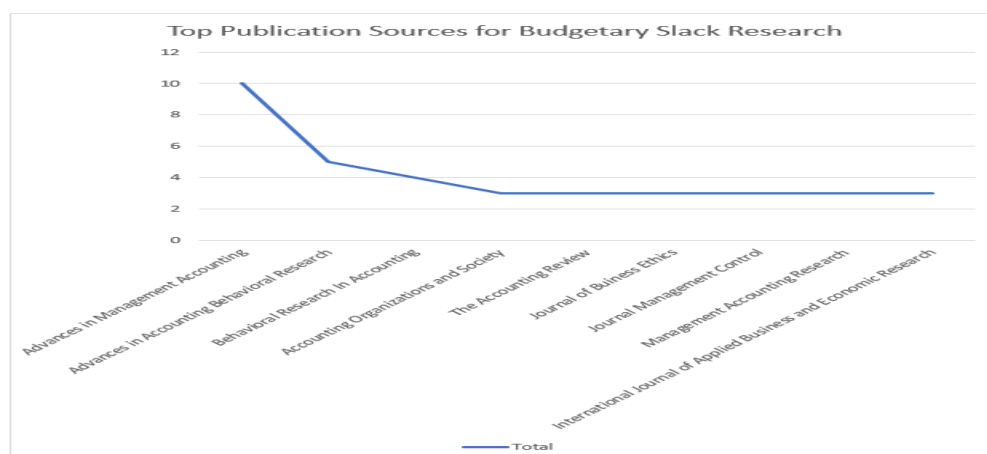


Figure 6. Most Prominent Journals Publishing on Budgetary Slack

### Future Research Framework

This study proposes a future research framework (Table 2) covering themes such as slack in public bureaucracy, normalization of slack as organizational culture, the role of local values, gender dynamics, and multi-theoretical integration. Each theme includes suggested theories, contexts, and methodologies.

Table 2. Future Research Framework on Budgetary Slack

Proposed Research Theme	Theoretical Approach	Research Context/Object	Appropriate Methodological Approach	Additional Notes
Slack behavior in public bureaucracy	Political Economy Accounting (PEA)	Local governments in developing countries	Qualitative methods (interviews, case studies)	To explore budgetary slack as an outcome of power dynamics and political logic in budgeting
Normalization of slack as organizational culture	Moral Disengagement Theory, Social Norm Theory	Educational institutions, state-owned enterprises (SOEs)	Ethnography, narrative analysis	To examine how slack becomes normalized and accepted as a routine practice within organizations
The role of local values in preventing slack	Contemporary Ethics, Local Social Theory	Bali (customary context/karma phala)	Qualitative study, grounded theory	Integrating local cultural values into budgeting systems to

Proposed Research Theme	Theoretical Approach	Research Context/Object	Appropriate Methodological Approach	Additional Notes
				reduce slack behavior
Slack and gender dynamics in decision-making	Gendered Organization Theory	Public and private organizations	Mixed-method (survey and focus group discussions)	To investigate whether gender influences tendencies toward budget manipulation
Theoretical integration: economic, behavioral, and institutional	Multi-theoretical framework	Public sector organizations	SEM-PLS or structural equation modeling	To develop a comprehensive model that explains slack through multiple theoretical lenses

## DISCUSSION

### Trends in Budgetary Slack Research Publications

The fluctuating trend of budgetary slack publications indicates that the field develops non-linearly and is influenced by broader academic and practical dynamics. The peaks in 2014–2015 and 2018–2019 reflect heightened scholarly attention, likely driven by growing concerns over accountability, governance, and managerial behavior. These issues gained prominence as organizations faced increasing pressure to justify budgeting decisions and enhance transparency. The decline after 2020 may indicate a shift in research priorities rather than reduced relevance. Instead, it suggests that the field has reached a level of maturity within its traditional scope, requiring new contexts and perspectives to remain relevant. Emerging areas such as digital budgeting systems and public sector governance therefore offer promising directions for future research.

### Research Methods Used in Budgetary Slack Studies

The dominance of quantitative methods, particularly SEM and regression approaches, indicates that budgetary slack research remains rooted in a positivist paradigm. While these methods enable hypothesis testing and generalization, they tend to prioritize measurable relationships over contextual understanding. The limited use of qualitative approaches highlights a critical gap, as budgetary slack involves complex behavioral and organizational dynamics. Although experimental methods offer some insights, their controlled settings may not fully capture real-world conditions. Therefore, greater methodological diversification is needed. The use of qualitative and mixed-method approaches can provide deeper insights into how slack is socially constructed and negotiated within organizations, thereby enriching existing models.

### Theoretical Frameworks Utilized

The predominance of Agency Theory reinforces its role as the primary lens for explaining budgetary slack, particularly in terms of information asymmetry and opportunistic behavior. However, the presence of alternative frameworks such as Contingency Theory and Procedural Justice Theory indicates a shift toward more nuanced explanations. The inclusion of Social Norm Theory and Motivation Theory reflects growing recognition of behavioral and social influences, suggesting that slack is shaped not only by incentives but also by fairness perceptions, group norms, and individual motivation. Despite this

diversity, the lack of theoretical integration indicates fragmentation in the literature. This highlights the need for multi-theoretical approaches to better capture the complexity of budgetary slack.

### **Theoretical Evolution in Budgetary Slack Research**

Building on the distribution of theories identified in the results, this section traces the historical evolution of budgetary slack research. Early studies in the 1980s and 1990s were predominantly grounded in Agency Theory, reflecting the strong influence of economic logic and rational decision-making in management accounting. Within this view, misaligned interests and information asymmetry lead managers to engage in opportunistic behavior, such as inflating budgets to create slack. Since the early 2000s, alternative perspectives have emerged, including Contingency Theory, Institutional Theory, and various behavioral and psychological approaches. These frameworks shift the understanding of budgeting from a purely technical process to one shaped by organizational context, culture, and individual values. More recent developments, such as Procedural Justice, Social Norm, and Self-Determination theories, highlight the importance of fairness, social influence, and intrinsic motivation in shaping slack behavior. This indicates a move beyond purely economic explanations toward social and ethical dimensions. This theoretical shift is accompanied by gradual methodological diversification, with increasing use of qualitative and mixed methods, particularly in public sector contexts. Overall, this evolution suggests that traditional economic models alone are insufficient to explain the complexity of budgeting practices in contemporary organizations.

### **Variables Examined in Relation to Budgetary Slack**

The findings confirm that traditional variables such as budgetary participation, information asymmetry, and budgetary pressure remain central in explaining slack behavior. These variables reflect the structural and informational aspects of budgeting systems, which have long been the focus of research. At the same time, the emergence of variables such as trust, organizational commitment, and ethical orientation signals a conceptual shift toward behavioral and relational dimensions. This evolution suggests that researchers increasingly acknowledge the role of human factors in shaping budgeting outcomes. The incorporation of mediating and moderating variables further indicates a move toward more sophisticated analytical models. Rather than examining direct relationships recent studies attempt to understand the mechanisms and conditions under which slack occurs. However, the results also imply that these variables are often examined in isolation, limiting the ability to develop a comprehensive understanding. Accordingly, future research should aim to integrate these variables into more holistic models that consider the interaction between structural, behavioral, and contextual factors.

### **Core Journals in Budgetary Slack Research**

The findings confirm that traditional variables such as budgetary participation, information asymmetry, and budgetary pressure remain central in explaining slack behavior, reflecting the structural and informational aspects of budgeting systems. At the same time, emerging variables such as trust, organizational commitment, and ethical orientation indicate a shift toward behavioral and relational dimensions, highlighting the role of human factors in budgeting outcomes. The inclusion of mediating and moderating variables suggests more sophisticated analytical models, moving beyond direct relationships to examine underlying mechanisms and conditions. However, these variables are often studied in isolation, limiting comprehensive understanding. Accordingly, future research should develop more holistic models that integrate structural, behavioral, and contextual factors.

### **Contradictory Findings and Emerging Issues in Public Sector Budgetary Slack Research**

Despite the growing literature, several contradictions persist. One key issue is budgetary participation: while some studies (Dunk, 1995 and Nouri & Parker, 1998) find that higher participation increases slack due to greater discretion, others (Chong & Johnson, 2007; Maiga & Jacobs, 2007) show it can reduce slack by fostering trust and commitment when supported by fair processes. Similar inconsistencies appear in performance pressure. In private sector contexts, it tends to exacerbate slack (Van der Stede, 2000), whereas in the public sector it may suppress slack due to bureaucratic rigidity and audit scrutiny, although it can also lead to more covert forms of budget manipulation. Additionally, while Agency Theory predicts opportunistic behavior, institutional and cultural perspectives (Lukka, 1988; Moene, 1986) (Lukka, 1988; Moene, 1986) suggest that slack may become normalized, particularly in bureaucratic settings. Notably, public sector studies remain limited (less than 20%), despite their complexity due to political cycles, hierarchical structures, and budget absorption pressures. Evidence from Indonesia (SeTin & Natalia, 2021; Yuwono et al, 2020) further indicates that slack may intensify around election periods, reflecting political rather than managerial motives. These contradictions highlight that budgetary slack is highly context-dependent. Future research should adopt interpretive and institutional approaches, as well as longitudinal designs, to better understand how slack is formed, sustained, and evolves within specific organizational and political contexts.

### **Future Research Directions and Framework Implications**

The proposed framework addresses key gaps identified in the results, particularly the limited focus on public sector contexts in developing countries, where budgeting is shaped by political, cultural, and institutional factors. It also broadens the scope beyond traditional variables by incorporating themes such as organizational culture, local values, and gender dynamics, aligning with the shift toward behavioral and social perspectives. Methodologically, the emphasis on qualitative, mixed-method, and ethnographic approaches responds to the current dominance of quantitative methods and is better suited to capture the complexity of budgetary slack. Finally, the integration of economic, behavioral, and institutional perspectives is essential to overcome theoretical fragmentation and develop more comprehensive models of slack behavior.

## **CONCLUSION**

This systematic review of 111 Scopus-indexed articles demonstrates that budgetary slack research has evolved considerably over the past four decades. While early studies predominantly relied on Agency Theory to explain slack as a consequence of information asymmetry and incentive misalignment, more recent research has expanded the discussion to include behavioral, ethical, social, and institutional perspectives. The findings indicate that budgetary slack is not merely a technical budgeting issue but a multidimensional phenomenon shaped by organizational culture, leadership, trust, social norms, and governance mechanisms.

From a theoretical perspective, this review contributes to the literature by synthesizing the evolution of budgetary slack research across diverse theoretical lenses and highlighting the transition from economic explanations toward more contextual and interdisciplinary perspectives. The review also identifies opportunities for integrating Agency Theory with behavioral, social, institutional, and Political Economy of Accounting perspectives to provide a more comprehensive understanding of budgeting behavior. Methodologically, this study contributes by systematically mapping 111 articles published between 1985 and 2025, offering a structured overview of publication trends, theoretical developments, research methods, and key variables. This synthesis provides

a foundation for future scholars seeking to identify underexplored themes and emerging research opportunities.

Practically, the findings suggest that organizations and policymakers should move beyond purely control-oriented budgeting systems and consider the influence of organizational culture, ethical values, leadership practices, and governance structures when addressing budgetary slack. Such an approach may support the development of more transparent, accountable, and effective budgeting processes in both private and public sector organizations.

This study is subject to several limitations. First, the review only includes articles indexed in the Scopus database, potentially excluding relevant studies published in other databases. Second, the findings may be affected by publication bias, as published studies are more likely to report significant results. Future research should expand the scope of databases, incorporate bibliometric and meta-analytic approaches, and further examine budgetary slack in public sector organizations, developing countries, and politically sensitive budgeting environments. Greater attention should also be given to interdisciplinary and context-sensitive perspectives to better capture the complexity of budgetary slack in contemporary organizations.

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The authors of this article state that there are no known potential conflicts of interest in the implementation and preparation of this research.

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