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The Impact of Fiscal Decentralization on Development Performance in West Kalimantan with Opportunistic Behavior as a Mediating Variable

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ABSTRACT: This study aims to analyze the impact of fiscal decentralization on development performance in West Kalimantan Province with opportunistic behavior as a mediating variable. The background of this research is the importance of fiscal decentralization as a policy instrument to encourage regional development. However, there are concerns that opportunistic behavior in regional financial management can reduce the effectiveness of fiscal decentralization. The research method used is panel data analysis that combines time series and cross-section data from 14 districts/cities in West Kalimantan during the 2017-2022 period. The results of the study show that budget allocation does not have a significant influence on opportunistic behavior but has a significant positive effect on economic performance, while transfer funds actually increase fiscal opportunistic behavior and significantly negatively affect economic performance. In addition, opportunistic fiscal behavior has been proven to reduce regional economic performance. These findings underscore the importance of better fiscal management to minimize opportunistic behavior and maximize the benefits of fiscal decentralization.

KEYWORDS: Fiscal Decentralization, Opportunistic Fiscal Behavior, Economic Performance, West Kalimantan

INTRODUCTION

Regional Governments in Indonesia have the authority to regulate and manage government affairs in accordance with the principle of autonomy and assistance duties, as stipulated in Article 18 paragraph (2) and paragraph (5) of the 1945 Constitution. Regions are also given broad autonomy to accelerate the improvement of community welfare through service, empowerment, and community participation. However, the granting of autonomy to the regions is based on the principle of a unitary state. In a unitary state, the central government has sovereignty, while the regions do not have sovereignty. Although regions are given the greatest autonomy, there are still limits, and the ultimate responsibility remains with the central government

Regional autonomy implemented in Indonesia since January 1, 2001, with the issuance of Law No. 22 of 1999 concerning Regional Government and Law No. 25 of 1999 concerning Financial Balance Between the Central Government and Regional Government, has given a greater role to the government and regional economic actors in managing development in the region. The demand for regional autonomy arises because the development process in Indonesia has previously resulted in a development gap between regions on the island of Java and areas outside Java Island as well as between the West Indonesia Region and the East Indonesia Region. The gap occurs because there is an uneven allocation of investment between regions which is influential in triggering and spurring imbalances in growth between regions (Waluyo, 2007). Therefore, the implementation of regional autonomy is moment which is appropriate to give a greater role to the government and regional economic actors in managing development in the region (Iwan & Dahuri, 2004; Riyadi & Supriady, 2004).

Regional economic development is a process shown by local government and private government policies in managing existing resources and forming a partnership pattern between local governments and the private sector to create new jobs and stimulate the development of economic activities in the region. The main problem in regional economic development lies in the emphasis on development policies that are based on the peculiarities of the region concerned by using the potential of local human, institutional, and physical resources. This orientation leads to initiatives emerging from the area in the development process to create new job opportunities and stimulate an increase in economic activity (Waluyo, 2007).

Regional autonomy is the realization of the idea of decentralization. According to Sidik (2002), the concept of decentralization consists of political decentralization (political decentralization), administrative decentralization (administrative decentralization), and fiscal decentralization (fiscal decentralization). As an idea of decentralization, regional autonomy has a close relationship with fiscal decentralization. According to (Saragih & Gaddafi, 2003), regional autonomy and fiscal decentralization are two sides in a currency that cannot be separated and give each other meaning. Through regional autonomy and fiscal decentralization, local governments have the authority to explore revenue and carry out the role of allocation independently, through the preparation of the Regional Revenue and Expenditure Budget (APBD), in setting development priorities. The existence of regional autonomy and fiscal decentralization will further level development in accordance with regional needs in developing regions according to their respective potentials.

According to (Mardiasmo, 2021; Priyarsono et al., 2010); Saragih and Gaddafi (2003), regional autonomy and fiscal decentralization will provide optimal benefits if followed by adequate financial capabilities by autonomous regions. According to Susanti (2008), with the existence of regional fiscal decentralization, it is required to improve the economic capabilities of the regions so that they are able to compete with other regions through the collection of local government capital for investment needs and/or the ability to interact with other regions.

Studies on fiscal decentralization have been conducted, both abroad and domestically, such as research by (Bahl & Wallace, 2006); Bird (2010); (Jin & Jakovljevic, 2023); Oates (2008). Then research by (Fatoni, 2020); Mulyana and Subkhan (2006); (Pasaribu, 2012; Priyarsono et al., 2010). The results of previous studies show that the implementation of regional autonomy through fiscal decentralization has caused fiscal inefficiencies in the regions, has a negligible effect on economic growth, and has a positive influence on development activities in the regions. It was found that there are expansion areas due to regional autonomy that have failed to improve welfare and serve the needs of the community as the goal of regional expansion, while the financial budget disbursed has been so large and has become a burden on the financial budget (Badrudin, 2011).

Development activities in the region aim to prosper the community. Therefore, if local governments want to improve people's welfare, local governments must increase the Expenditure budget, especially in Capital Expenditure. To increase the Capital Expenditure budget, local governments must be able to increase Regional Revenue through increasing Regional Original Revenue (PAD) and Tax and Non-Tax Revenue Sharing.

The results of Adiputra et al. (2015), found that SILPA had a significant positive effect on HDI, while the results of Deswantoro et al. (2017) found that grant spending had a significant negative effect on HDI. Furthermore, Deswantoro et al. (2017), found that social assistance spending had a positive and insignificant effect on HDI. Meanwhile, according to Zebua and Adib (2014), grant spending and social assistance spending do not have a significant effect on HDI. Then according to Verawaty and Salwa (2022) it was found that SILPA did not have a significant effect on HDI.

Opportunistic behavior in the form of budget slack which is defined as the difference between the actual resources needed to efficiently complete a task and the larger amount requested or obtained (Lukka, 1988). This behavior arises due to the asymmetry of information between subordinates and superiors. Several studies show that budget slack behavior significantly slows down economic growth (Tanzi & Davoodi, 1998). According to Tanzi and Davoodi (1998), budget slack in public projects encourages inefficient allocation of resources and hinders maximum output.

Furthermore, according to Kewo (2024), budget slack causes waste and leakage of public sector funds that should be allocated to other productive activities that encourage economic growth. This behavior also lowers government revenue. Several studies have found a negative effect of budget slack on the budget of the education and health sectors on HDI (Pradana, 2020; Tanzi & Davoodi, 1998). Budget slack causes inefficient allocation of funds in the education and health sectors, thereby reducing the quality of public services.

Furthermore, Tanzi and Davoodi (1998) explain that budget slack increases public sector waste that could be used to increase spending on infrastructure, education, and basic services for the public. This ultimately hampers the increase in HDI. Thus, the results of the study indicate that the phenomenon of budget slack significantly slows down the increase in HDI through a decrease in the quality and public access to education, health, and vital infrastructure services (Pradana, 2020; Tanzi & Davoodi, 1998).

The existence of several differences in these findings illustrates that there are still problems related to the variables of fiscal decentralization, economic growth and HDI. To answer this problem, in this study, a cascading model (path analysis) will be used and opportunistic behavior will be placed as a mediating variable. According to the researcher, this model is more appropriate, because economic growth and HDI are a value created through a long and sustainable process.

Based on the description mentioned above, which is based on the phenomenon of empirical condition indicators and research gaps, the research problem proposed in this study is how the role of fiscal decentralization and opportunistic behavior on economic growth and HDI, with fiscal opportunistic behavior as the novelty. For this reason, it is necessary to develop an appropriate model that can describe the conditions of the above problems. In addition, based on the exposure of the various research results, it can be concluded that there has been no research that comprehensively examines opportunistic behavior in an inclusive manner using the dimensions of grant funds, social assistance funds, SILPA, and budget slack.

Based on the description of the Background which explains that does fiscal decentralization affect the GDP of Regencies and Cities in West Kalimantan Province?, Does fiscal decentralization affect the economic growth of Regencies and Cities in West Kalimantan Province?

LITERATURE REVIEW

Public Economic Theory

According to Mangkoesoebroto and Prasetiantono (1994), Public Economics explains why the government must intervene in organizing the economy, why monopolies arise and what are the consequences for the macroeconomy, why positive and negative externalities arise, how the provision of public goods occurs, and how taxes are distributed. The government has an important role in maintaining internal security and defense, administering the judiciary, and providing goods that are not provided by the private sector, such as road infrastructure and dams. The public economy is closely related to the decision-making process based on democratic principles. If the electorate of the people's representatives monitors the activities of their representatives, then these representatives will work harder and try to convince the voters that their contribution to the payment of taxes will lead to the achievement of better conditions.

According to Musgrave and Musgrave (1989), the government is indispensable in the economy, especially to carry out its function in accelerating economic growth so that it can improve the standard of living of the population at a decent level. The Regional Government and the DPRD have the power to formulate policies to facilitate economic interaction between regional economic actors. Together, they have a function, namely drafting and enforcing general rules that regulate the behavior of individuals with minimal involvement, without managing the activities of the individual either directly or indirectly; buying resources that it uses in the input market (not controlling/regulating those resources); and produce goods or services by charging a pro rata to users (not transacting with users).

Smith in Pressman (2013) explain the proper role of the government in developing the economy, especially in the government's efforts to increase revenue in the best way, namely through the tax system to finance public spending. Smith pointed out four rules of requirements for setting taxes for the public, namely that taxes should be proportional, meaning that everyone pays taxes in the same percentage of their income; Taxpayers must know about the taxes that must be paid, meaning that taxpayers should know in advance how much income they have and when tax payments must be paid off; taxes should be withdrawn at the time and in the manner that is most appropriate for the taxpayer, meaning that tax withdrawals are made when revenue is realised rather than when revenue is collected; And the best tax is the tax that requires the least collection fee, meaning that in tax withdrawal it does not require an excessive number of tax officers, does not harm economic incentives, does not create businesses to avoid taxes, and does not set too large fines that will make it difficult for taxpayers. Thus, the imposition of taxes is designed to generate maximum economic growth.

Wicksell in Pressman (2013) explain the aspect of more government spending on social services, especially education to compensate for the income gap that arises when income is distributed based on marginal productivity. In addition, it is important to distribute government expenditure widely with the aim of spreading it more so that every member of society feels benefited from the taxes paid.

In certain situations, the market mechanism leads to an efficient allocation of resources that arises at a time when no one can be satisfied without causing others to suffer losses, but a society may choose an inefficient allocation on the basis of equality or other criteria. This condition is what causes government intervention in free market operations. There are two arguments regarding the need for government intervention, namely market failure and emphasis on fairness.

According to Suparmoko (2002), the purpose of budget policy is to improve government services that need to be followed by tax increases (allocation objectives), distribute revenues to low/high groups that need to be followed by the imposition of progressive taxes or vice versa (distribution objectives), and increase public expenditure or lower taxes (stabilization objectives). A public policy may not be able to meet all three goals at once, so exceptions are possible, but a policy always seeks to minimize the conflict between each goal.

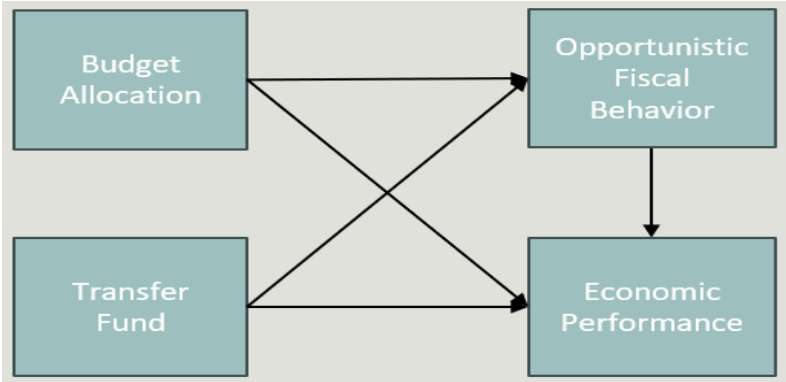

Figure 1: Conceptual framework

Agency Theory

Jensen (1997) is the scientist who first originated the Agency Theory (agency theory) which is a theory of inequality of interest between principal and agent. Agency theory bases the contractual relationship between shareholders or owners as well as management or managers. According to Eisenhardt (1989) Agency theory is based on several assumptions. These assumptions are divided into three types, namely, assumptions about human nature, organizational assumptions, and information assumptions. Assumption of traits Man emphasizes that man has a selfish nature (self interest), has limited rationality (bounded rationality) and don't like risk (Risk Averse). Organizational assumptions emphasizing that there is conflict between members of the organization and there is information asymmetry between principal and AgentWhile Assumption of information emphasizing that information is a commodity that can be traded.

Agency theory aims to explain how the parties to the contract can design the contract to minimize costs as a result of asymmetric information and uncertain conditions. Agency theory seeks to answer the problems that occur because parties who cooperate with each other have different goals. This explains that agency theory can evaluate the outcome of an employment contract between a principal and an agent. Whether the cooperation contract has run with what has been agreed or not, and can improve the ability of both the tool and the agent to evaluate the conditions under which a decision must be made.In Public Sector Budgeting, agency theory analyzes the contractual arrangement among two or more individuals, groups, or organizations. One of the principals enters into a contract, either implicitly or explicitly, with the other party (agent) with the expectation that the agent will act/do the work as the principal wants.

Corporate Governance Theory

Corporate Governance is one of the key elements in improving economic efficiency, which includes a series of relationships between the company's management, the board of directors, shareholders, and other stakeholders (Wati, 2012). Ownership supervision, control supervision, and disclosure mechanisms in Corporate Governance can be used to reduce conflicts within the company (Karmilasari & Faisol, 2023). In creating good corporate governance, there are five basic principles that underlie it, namely: transparency, accountability, responsibility, independency and Fairness. Therefore, with good governance based on the principles of Corporate Governance is expected to reduce problems in a company which ultimately Corporate Governance can be a tool to improve the performance of a company.

Research on the influence of mechanisms Corporate Governance and the company's performance has done a lot. Dalton et al. (1999) stated that there is a positive relationship between the size of the board of directors and the company's performance. Research Hermalin and Weisbach (1991) shows that managerial ownership has a positive effect on the company's financial performance. (Bjuggren et al., 2007); Pizzaro et al. (2007) found that institutional ownership has a positive effect on the company's performance. Hanoon et al. (2020) found that there is a role of the audit committee in improving financial performance. While some studies have found different results, Ajili and Bouri (2018) Finding quality Corporate Governance does not have a significant effect on banking performance. The same thing was expressed Herdjiono and Sari (2017) which proves that Corporate Governance which consists of (managerial ownership, size of the board of commissioners, independent commissioners, and concentration of ownership) has no effect on financial performance. Glover-Akpey and Azembila (2016) stated that there was no influence between the number of audit committees and the company's financial performance.

According to Monks and Minow (2011) that Good Corporate Governance (GCG) is definitively a system that regulates and controls companies that create added value for all stakeholders. There are several important things in the explanation of this concept, namely: (1) The importance of shareholders' rights in obtaining information in a timely and correct manner and, (2) The Company is required to disclose all information in a transparent and timely manner.

Method

In collecting data, a quantitative approach method is used because the data collected is in the form of numbers and analysis using statistics. Research testing using hypotheses testing is a research that explains phenomena in the form of relationships between variables. The research hypothesis is formulated and developed based on theoretical and empirical studies which are then tested based on the data that has been collected.

Based on the research objectives and conceptual framework, this research is a quantitative descriptive research. The policy studies and evaluations studied are fiscal decentralization and opportunistic behavior. Dependent variables include Economic Performance. Independent variables consisting of Budget Allocation, Transfer Fund. The mediation variable is Opportunistic Fiscal Behavior. This study uses a quantitative analysis approach that uses multiple regression of panel data. The analysis units of this study are 14 districts and cities in West Kalimantan.

This research was conducted in West Kalimantan Province, with research entities in the form of 14 Regency and City Governments in the province, namely Bengkayang Regency, Kapuas Hulu Regency, North Kayong Regency, Ketapang Regency, Kubu Raya Regency, Landak Regency, Melawi Regency, Mempawah Regency, Sambas Regency, Sanggau Regency, Sekadau Regency, Sintang Regency, Pontianak City, and Singkawang City.

The type of data used in this study is secondary data, where the secondary data used comes from external sources, namely data published by BPS and Financial Statements in 14 Regency and City Governments in West Kalimantan Province with a span of 6 (six) years, from 2017 to 2022. The method of collecting data is by writing and visiting the location of the data source.

Data Analysis

In this study, hypothesis testing was carried out with the aim of examining the influence of fiscal transfer and opportunistic behavior on development activities in West Kalimantan. The data used in this study is in the form of panel data, which describes the combination of time series and cross section data. This study uses quantitative descriptive statistical analysis which is a multiple linear regression analysis method and uses the Warps PLS application to test the hypothesis. The analysis model used in this study follows the pattern of a variant-based structural equation model (SEM) that can simultaneously test the measurement model as well as test the structural model. Measurement models are used for validity and reliability tests, while structural models are used for causality tests (hypothesis testing with prediction models).

Technical Analysis

The analysis technique in testing the hypothesis in this study uses multiple linear regression analysis tools which is a powerful analysis method because it does not assume that the data must be measured on a certain scale (nominal, ordinal, interval, and ratio) and the sample size does not have to be large. The analysis technique uses multiple linear regression analysis tools. To analyze the influence of independent variables on dependent variables in the empirical research model, a multiple linear regression equation model made based on the empirical model is used. Furthermore, to test the influence of mediation variables, the Path Analysis method was used. Path analysis is used to find out whether independent variables have a direct or indirect effect on independent variables.

RESULTS

This research is motivated by the existence of research gaps and inconsistencies in findings from previous studies. Several previous studies have shown different results related to the influence of budget allocation and transfer fund on economic performance. The purpose of this study is to test a conceptual model that integrates the variables of budget allocation, transfer fund, opportunistic fiscal behavior and economic performance to provide a more comprehensive understanding. This model is tested in the context of the government of all districts and cities in West Kalimantan Province.

This research is expected to contribute both theoretically and practically. Theoretically, this study can enrich the existing literature related to the topic of fiscal decentralization and opportunistic behavior on development performance in West Kalimantan. Practically, this research is expected to contribute to policymakers at the Central Government, Provincial Government, and Regency/City Governments in formulating more effective and efficient fiscal decentralization policies. The results of this study can be a valuable input for the government in designing a fiscal transfer mechanism and supervision system that can mitigate opportunistic behavior and optimize the achievement of regional development goals. Thus, this research is important to be carried out considering the existing research gap and is expected to contribute to encouraging better regional financial governance, so that it can realize more equitable and sustainable development throughout Indonesia.

Descriptive statistical analysis is useful for identifying the distribution of centers and diversity of research data. The study conducted quantitative secondary data mining from 84 observations. The data obtained were then processed and the descriptive statistical output was analyzed to provide an overview of the characteristics of the research data. Descriptive statistics such as mean, median, maximum and minimum values, and standard deviations are important to know the distribution of data for each variable. In addition, it is useful for early detection of outlier data, comparing diversity between variables, and determining appropriate statistical analysis methods based on the characteristics of existing data. If needed, descriptive analysis can also direct data transformation so that the distribution is more normal.

Based on Table 1, Budget Allocation shows an average Revenue of 1.39 trillion, slightly higher than the average Expenditure of 1.17 trillion. This indicates a budget surplus in general. However, the range between the maximum and minimum values is quite large, showing significant fluctuations in Revenue and Expenditure between periods. DAU Fund Transfers have a higher average (694 billion) than DAK (246 billion), indicating that a larger portion is allocated to the General Allocation Fund.

Opportunistic Fiscal Behavior can be seen from the average grant of 55.9 billion and the Capital Expenditure Difference of 22.6 billion. The high maximum values in these two indicators indicate periods with significant increases in grant allocation and capital expenditure.

The Economic Performance analysis shows an interesting pattern in the distribution of economic growth. With an average growth of 3.93% and a median of 4.79%, the data indicates a distribution that tends to tilt to the left. This phenomenon illustrates that while most periods recorded relatively good growth, there were some periods with very low growth that pulled the average downward. This pattern reflects fluctuations in economic performance, where the majority of the time growth is quite stable, but interspersed with periods of significant slowdown. This situation underscores the importance of identifying the factors contributing to the period of low growth, as well as formulating strategies to mitigate their impacts, in order to achieve more stable and sustainable economic growth. The average HDI of 67.38 indicates a moderate level of human development. The average poverty rate of 7.67% and unemployment of 4.62% illustrate the socio-economic challenges that still need to be overcome, although with considerable variation between periods as seen from the standard deviation values.

Table 1. Descriptive Statistics

Variable	Indicators	Mean	Median	Maximum	Minimum	Std. Dev.
Budget Allocation	Revenue	1,390,000,000,000	1,400,000,000,000	2,620,000,000,000	740,000,000,000	446,000,000,000
	Expenditure	1,170,000,000,000	1,170,000,000,000	1,990,000,000,000	642,000,000,000	356,000,000,000
Transfer Fund	DAU	694,000,000,000	664,000,000,000	1,150,000,000,000	434,000,000,000	189,000,000,000
	DAK	246,000,000,000	243,000,000,000	486,000,000,000	53,300,000,000	103,000,000,000
Opportunistic Fiscal Behavior	PAD Difference	13,700,000,000	8,950,000,000	105,000,000,000	-108,000,000,000	28,000,000,000
	Grant	55,900,000,000	41,100,000,000	209,000,000,000	5,410,000,000	43,600,000,000
	Capital Expenditure Difference	22,600,000,000	16,700,000,000	280,000,000,000	-129,000,000,000	57,200,000,000
Economic Performance	Economic Growth	3.93	4.79	7.83	-3.97	2.57
	HDI	67.38	66.26	80.48	61.52	3.87
	Poverty	7.67	7.34	12.83	4.12	2.64
	Unemployment	4.62	3.82	12.38	0.64	2.58

Source: Secondary Data Processed (2024)

This study uses variant-based Structural Equation Modeling (SEM) analysis with WarpPLS to examine the influence of Budget Allocation, Transfer Fund, Allocation for Economic Performance, and Opportunistic Fiscal Behavior on Economic Performance in West Kalimantan. Variant-based SEM was chosen because it can test measurement models (validity and reliability) as well as structural models (causality and hypothesis) simultaneously. This analytical technique is suitable for theory development studies because it does not require a strong theoretical foundation, and the accuracy of the model is measured by the determination coefficient (R2). SEM-PLS with three equation models is used to test the influence of independent variables on dependent variables, either directly or through mediating variables. Path analysis is also carried out for the mediation effect. Prior to hypothesis testing with WarpPLS, classical assumptions such as normality, multicollinearity, autocorrelation, and heteroscedasticity were tested. Although WarpPLS does not provide panel data estimation model selection features, such as the Chow, Hausman, and Lagrange Multiplier tests, it is still effective for SEM-PLS analysis because of its ability to model complex relationships between latent variables.

Based on the output results of the fit and quality indices model from SEM-PLS analysis using WarpPLS, it can be concluded that this research model has a fairly good level of fit and quality, although some indices show values slightly below the ideal threshold. The average path coefficient (APC) value of 0.233 with a value of P=0.006 shows that the path coefficient in the model is on average significant at a significance level of 5%. Similarly, the Average R-squared (ARS) value of 0.252 with P=0.004 and the Average adjusted R-squared (AARS) value of 0.188 with P=0.018 indicate that the exogenous latent variable in the model is able to explain the variation in the endogenous latent variable significantly.

However, the Average block VIF (AVIF) value of 2.617 and the Average full collinearity VIF (AFVIF) of 10,000 slightly exceeded the ideal threshold of 3.3, although it was still acceptable because it was less than 5. This indicates the potential for collinearity issues in the model, but not a significant impact. The Tenenhaus GoF (GoF) index of 0.502 indicates that the model has a large overall match level, well above the threshold of 0.36. However, several other indices such as Simpson's paradox ratio (SPR) of 0.638, R-squared contribution ratio (RSCR) of 0.751, and Nonlinear bivariate causality direction ratio (NLBCDR) of 0.670 are slightly below the ideal threshold of 0.7, 0.9, and 0.7, respectively. However, the Statistical suppression ratio (SSR) value of 0.851 has met the minimum admission criteria of 0.7.

Overall, these results show that the research model has met most of the fit and quality criteria required in the SEM-PLS. Although there are some indices that are slightly below the ideal threshold, these values are still acceptable and do not interfere too much with the validity of the research results. However, any indications of potential collinearity issues need to be watched out for and may require further investigation or model improvements if needed. By considering all the indices comprehensively, it can be concluded that this research model is feasible and reliable to draw conclusions regarding the relationship between the variables studied.

Hypothesis Test

Based on the results of the structural model test presented in Table 2, a detailed picture of the influence between variables in this research model can be obtained. Data analysis was carried out using a structural equation model (SEM) with the Partial Least Squares (PLS) approach. This model is related to six hypotheses proposed in the study. The first hypothesis (H_1) states that Budget Allocation (BA) has an effect on Opportunistic Fiscal Behavior (OFB). However, the results of the analysis showed that the effect of BA on OFB was not statistically significant. This is shown by a p value of 0.44 which is greater than the significance level of 10% and a coefficient value of -0.02. These findings indicate a negative relationship between BA and OFB, although not significant. Thus, H1 is not supported by the data in this study.

In contrast to the first hypothesis, the second hypothesis (H_2) states that Transfer Fund (TF) has an effect on Opportunistic Fiscal Behavior (OFB). The results of the analysis support this hypothesis with a p value of 0.001 which is smaller than the significance level of 1% and a positive coefficient value of 0.32. These findings show that the higher the Transfer Fund, the higher the tendency to occur fiscal opportunistic behavior. This is in line with the argument that the availability of transfer funds can trigger opportunistic behavior.

Hypothesis three (H_3) states that Opportunistic Fiscal Behavior (OFB) has an effect on Economic Performance (EP). The results of the analysis support this hypothesis with a p value of 0.02 which is smaller than the significance level of 5% and a positive coefficient value of -0.22. These findings indicate that opportunistic fiscal behavior is seen as having an impact on economic performance. Furthermore, the fourth hypothesis (H_4) states that Budget Allocation (BA) has an effect on Economic Performance (EP). The results of the analysis support this hypothesis with a p value of 0.001 which is smaller than the significance level of 1% and a positive coefficient value of 0.49. These findings imply that proper budget allocation can directly contribute to improving economic performance. Similar to the fifth hypothesis, the fifth hypothesis (H_5) states that Transfer Fund (TF) has an effect on Economic Performance (EP). The results of the analysis support this hypothesis with a p value of 0.001 which is smaller than the significance level of 1% and a negative coefficient value of -0.57. These findings indicate that large transfer funds cannot necessarily be used effectively to boost economic growth.

This research model can explain 19% variation in Opportunistic Fiscal Behavior (OFB) and 22% variation in Economic Performance (EP), as shown by the R-squared value respectively. Although this model provides valuable insights into the linkages between variables and hypothesis testing, there is still considerable room to explore other factors that contribute to OFB and EP. Therefore, further research considering additional variables and more specific contexts can help deepen understanding of the dynamics of fiscal opportunistic behavior and economic performance.

In Table 2, which displays the main estimation models related to Opportunistic Fiscal Behavior (OFB) and Economic Performance (EP), the R-Squared values for these two models are 0.19 and 0.22 respectively. This R-Squared value shows the proportion of variability in the dependent variables that can be explained by the independent variables included in the model. Specifically, an R-Squared of 0.19 in the OFB model shows that about 19% of the variability in Opportunistic Fiscal Behavior can be explained by variables such as Budget Allocation (BA), Transfer Fund (TF). Meanwhile, an R-Squared of 0.22 in the EP model shows that about 22% of the variability in Economic Performance can be explained by the same variables, including OFB as one of the predictors.

The not very high R-Squared values in these two models show that although the selected variables have a significant influence on OFB and EP, there are still many variability that cannot be explained by the model. This can be due to several factors, such as the existence of other variables that are not included in the model but have a significant influence on OFB and EP, or the complexity of the dynamics that affect opportunistic fiscal behavior and economic performance that are not fully captured in this model.

Table 2 Primary Estimation Model

Variable		**Hypothesis**	**Opportunistic Fiscal Behavior (OFB)**	**Hypothesis**	**Economic Performance (EP)**
Budget Allocation (BA)	Prob	H1	0.44	H4	0.00 ***
	Koef		- 0.02		0.49
Transfer Fund (TF)	Prob	H2	0.00 ***	H5	0.00 ***
	Koef		0.32		- 0.57
Opportunistic Fiscal Behavior (OFB)	Prob			H3	0.02 **
	Koef				-0.22
R- Squared			0.19		0.22

Significant at ***0.01, **0.05, *0.1

The mediating role of Opportunistic Fiscal Behavior (OFB) in hypothesis six (H_6) the relationship between Budget Allocation (BA), the seventh hypothesis (H_7) Transfer Fund (TF) on Economic Performance (EP) as seen in Table 3.

Table 3 Indirect influence of path analysis results

Variable		**Economic Performance (EP)**	
BA --> OFB --> EP	Prob	H6	0.48
	Koef		0.00
TF --> OFB --> EP	Prob	H7	0.18
	Koef		-0.07

Significant at ***0.01, **0.05, *0.1

The analysis of Indirect effects for paths was carried out to determine the mediating role of the Opportunistic Fiscal Behavior (OFB) variable in the relationship between independent variables, namely Budget Allocation (BA), Transfer Fund (TF), and Allocation for Economic Performance (AEP), with the dependent variables of Economic Performance (EP). Nonetheless, the results of the analysis showed that the indirect effects of the three independent variables on EP through OFB as a mediating variable were not statistically significant.

First, the indirect path from BA to EP through OFB has a p value of 0.48 and a coefficient value of 0.00. P-values greater than the significance level of 1%, 5%, and 10% indicate that the effect of OFB mediation on the relationship between BA and EP is not statistically significant. Although positive coefficient values indicate that increasing BA can increase EP through OFB, the effect is not statistically strong enough. Second, the indirect path from TF to EP through OFB has a p value of 0.18 and a coefficient value of -0.07. Similar to the first pathway, a p-value greater than the significance level suggests that the effect of OFB mediation on the relationship between TF and EP is also not statistically significant. Conversely, negative coefficient values indicate that increasing TF can actually decrease EP through OFB, but the effect is not significant.

Thus, the results of the analysis of Indirect effects for paths in this data show that the mediating role of Opportunistic Fiscal Behavior (OFB) in the relationship between Budget Allocation (BA), Transfer Fund (TF) and Economic Performance (EP) is not statistically significant. Although there are indications of an indirect influence of independent variables on EP through OFB, the strength of the influence is not strong enough to be considered significant.

Although the mediating role of OFB is not significant, it does not mean that this variable is not important in the dynamics of the relationship between fiscal policy and economic performance. Further research with different approaches or more refined measurements may provide a better understanding of the role of OFB in this context. Therefore, the implication of these findings is that the policy focus to improve economic performance may need to be directed more towards optimizing budget allocation, utilizing transfer funds, and targeting allocations for economic performance directly, rather than relying solely on controlling opportunistic behavior. Nevertheless, efforts to minimize opportunistic behavior remain important to ensure good governance and efficient use of public resources.

DISCUSSION

Budget Allocation and Opportunistic Fiscal Behavior

Based on the findings of the study, it was found that budget allocation (BA) did not have a significant effect on fiscal opportunistic behavior (OFB) with p-value 0.44 and a coefficient of -0.02. This suggests that hypothesis 1 (H_1) which stated that budget allocation had a significant effect on opportunistic behavior in 14 districts and cities in West Kalimantan could not be accepted or rejected. The results of this study are not in line with the agency theory which explains the existence of a contractual relationship between the principal and the agent, where the principal delegates authority to the agent to manage resources efficiently and effectively (Jensen and Meckling 1976). In the context of public sector budgeting, local governments act as agents who receive delegation of authority from the principal (in this case, the central government and the community) to manage the budget according to the needs and preferences of local communities (Halim and Abdullah 2006). However, the existence of information asymmetry and differences in preferences between principals and agents has the potential to lead to opportunistic behavior, where agents take advantage of their discretion to maximize their own utility (Abdullah and Asmara 2006).

The findings of this study also do not support the argument built in agency theory, which emphasizes the tendency of politicians and bureaucrats to maximize their utility in every public policy taken, including in budgeting (Gruening 2001). Politicians have an interest in gaining support from voters (voters) and interest groups, while bureaucrats try to maximize the budget for their own prosperity. The existence of this "marriage of interests" encourages opportunistic behavior in budget allocation, where shopping posts that have "lucrative opportunities" and it is the preference of politicians who tend to be proposed with a larger allocation (Keefer and Khemani 2003, Martinez-Vazquez, Boex et al. 2007).

Several previous studies that became a reference in building this research hypothesis found that public budget allocation was significantly influenced by the opportunistic behavior of budget makers, both executive and legislative. For example Mauro (1998) found that there is a tendency to allocate public spending to posts that are easily corrupted and give larger rents. While Tanzi and Davoodi (1998) states that politicians have a preference for public investment spending that has discretionary power bigger and easier to corrupt.

However, the results of the study that show that there is no significant influence of budget allocation on fiscal opportunistic behavior indicate that other factors outside the budget allocation itself have a stronger influence in explaining the phenomenon of opportunistic behavior. Factors such as political system, institutional quality, local political culture, transparency, and accountability are thought to moderate the relationship between budget allocation and opportunistic fiscal behavior (Abdullah 2012). For example, research Siswati (2019) found that accountability and transparency can mitigate the influence of political egoism on budget allocation. Similarly Winoto and Falikhatun (2015) proving that legislative oversight can moderate the relationship between executive opportunistic behavior and budget allocation distortions.

The results of the analysis in this study found that the size of the budget allocation did not have a significant effect on Fiscal Behavior (OFB). These findings show that the budget allocation factor, which has been considered one of the main determinants, has no direct impact on fiscal behavior at the regional level. This is different from the findings of previous studies which showed a significant influence between budget allocation and fiscal behavior. Another possibility to note is that Regional Original Revenue (PAD) may have a more dominant role in influencing OFB. PAD is completely determined by the specific conditions in each region, so its contribution to fiscal behavior can be greater than the general budget allocation and often determined by central policy.

Furthermore, opportunistic behavior carried out by budget makers, both at the executive and legislative levels, seems to be more influential in determining the direction of fiscal policy than just the amount of budget allocation. Budgeters, who are often involved in the negotiation and prioritization process, may have their own preferences that are not always aligned with the needs or greater benefits to the public. Therefore, these findings demonstrate the importance of deepening the analysis of the role of opportunistic behavior in regional budgeting and how other factors, such as PAD, can better determine the end result of fiscal policy than simply the amount of budget allocation.

Thus, the results of this study can be interpreted that budget allocation does not necessarily indicate opportunistic behavior, if it is not supported by other empirical evidence. Further research is needed by considering other relevant variables, both as independent variables, mediators, and moderators to fully explore the phenomenon of opportunistic behavior in public budgeting, especially at the local government level in West Kalimantan.

Transfer Funds and Opportunistic Fiscal Behavior

Based on the results of the study, it was found that the Transfer Fund (Transfer Fund) has a positive and significant effect on Opportunistic Behavior (Opportunistic Fiscal Behavior) to local governments in West Kalimantan with the value of p-value 0.001 and a coefficient of 0.32. These findings support the second hypothesis (H_2) which stated that the Transfer Fund had a significant effect on Opportunistic Behavior in 14 Regencies and Cities in West Kalimantan. This result is in line with several previous studies that show that the high dependence of regions on transfer funds from the central government has the potential to trigger opportunistic behavior among regional officials (Prakosa 2004, Qowi and Prabowo 2017).

Theoretically, the relationship between Transfer Funds and Opportunistic Behavior can be explained through the perspective of Agency Theory (Agency Theory). In the context of fiscal decentralization, the central government acts as a principal who delegates the authority to manage the budget to local governments as agents (Halim and Abdullah 2006). However, information asymmetry and differences in preferences between principals and agents can trigger the emergence of opportunistic behaviors, such as moral hazard and Adverse selection (Eisenhardt 1989). Research Halim and Abdullah (2006) found that the lack of transparency and accountability in the management of transfer funds is one of the reasons for the rampant practice of irregularities by regional officials. The weak supervision system from the central government also opens up space for opportunistic behavior in the use of transfer funds (Kariuki and Muchelule 2023). In addition, the amount of discretion or discretion that regional heads have in allocating transfer funds is often used for personal or group political interests (Dinh and Wesseler 2024).

Other factors that can strengthen the relationship between transfer funds and opportunistic behavior include low human resource capacity in the region (Gorbachuk, Dunaievskyi et al. 2019), paternalistic culture and nepotism (Okonkwo and Godslove 2015, Adefeso and Abioro 2016), political fragmentation and conflicts of interest in the regional elite (Shah 2006, Higuera-Molina, Esteve et al. 2022), as well as the weak supervisory function by the DPRD (Nurkhamid 2008). Meanwhile, the active participation of the community in the budgeting process and supervision of the use of transfer funds is believed to reduce the potential for misappropriation (Aulad, Hidayati et al. 2018). These findings show that the management of transfer funds is not transparent, lacks accountability, and has no mechanism checks and balances adequate has great potential to trigger opportunistic behavior in the regions. Therefore, fiscal decentralization policy reforms that focus on strengthening the system, human resources, and public participation are urgently needed to mitigate these negative impacts. The central government needs to encourage the application of the good governance in the management of transfer funds in the regions so that their use is more effective, efficient, and accountable in realizing community welfare.

Another fact also states that, OFB behavior is not only influenced by local governments but also by central government policies and actions. Central transfer funds, such as the General Allocation Fund (DAU) and the Special Allocation Fund (DAK), can trigger certain fiscal behaviors in the regions, especially if they are not properly regulated or directed. For example, if DAUs are not specifically directed, local governments may use the funds in inefficient or even opportunistic ways, such as financing non-urgent projects or wasting budgets.

Moral hazard can also arise in this context, both from local governments and contractors affiliated with the center. Local governments may feel less responsible in the use of central funds due to the lack of direct supervision from the central government. Meanwhile, contractors appointed by the center may engage in opportunistic behavior, by exploiting weaknesses in local surveillance systems for their own benefit.

In addition, opportunistic fiscal behavior (OFB) can also be affected by ineffective DAK allocation. DAKs, which are supposed to be directed to specific projects that support regional development, are sometimes used for projects that are less relevant or not a priority, due to the lack of a clear direction in their allocation. In the current period, DAU and DAK have been more regulated and directed by the central government, so that the flexibility of local governments in their use is decreasing. This step was taken as an effort to reduce OFB and ensure that transfer funds are used in accordance with the development goals that have been set.

Overall, to minimize opportunistic fiscal behavior in the regions, it is important to strengthen supervision over the use of transfer funds and ensure that the allocation of funds is in accordance with planned local needs. The central government must also consider a more transparent and accountable mechanism in the project implementation process, especially those involving contractors from the central government, to reduce the risk of moral hazard.

Opportunistic Fiscal Behavior and Economic Performance

The results of this study are in line with previous theories and empirical findings that show that Opportunistic Fiscal Behavior has a negative and significant influence on economic performance. With a p-value of 0.02 (< 0.05) and a coefficient of -0.22, it can be concluded that the higher the level of opportunistic behavior, the lower the economic performance in 14 districts and cities in West Kalimantan. Thus, Hypothesis 4 (H_4) in this study is accepted.

The literature in general shows that opportunistic behavior can damage the business climate and hinder economic growth. Behaviors such as corruption, collusion, and abuse of authority create uncertainty, increase economic costs, and distort resource allocation. As a result, productive activities are disrupted and economic output decreases. Therefore, institutional and policy reforms are urgently needed to eradicate opportunistic practices and create clean, transparent, and accountable governance to encourage more optimal regional economic performance.

There are several theories that can explain the influence of opportunistic behavior on economic performance. One of them is Agency Theory (Agency Theory) triggered by Jensen (1986). This theory explains the difference in interests between the principal (trustee) and the agent (trustee) which can lead to opportunistic behavior. In the context of the regional economy, local governments play the role of agents authorized by the principal (in this case, the community or the central government) to manage resources and budgets to improve community welfare. However, information asymmetry and differences in preferences between principals and agents can encourage local governments to act opportunistically for their personal or group interests, for example through practices of corruption, collusion, and nepotism in the management of budgets and public resources (Eisenhardt 1989).

These opportunistic behaviors will in turn have a negative impact on regional economic performance. Public Economic Theory explains that corrupt and rent-seeking practices will distort resource allocation, hinder productive investment, and increase uncertainty and transaction costs in the economy (Mauro 1998). As a result, economic growth slows down and people's welfare decreases. In addition, agency theory also explains that opportunistic behavior of public officials tends to produce budget policies that are inefficient and not in accordance with people's preferences (Martinez-Vazquez, Boex et al. 2007).

Further, opportunistic behaviors such as corruption can erode trust (Trust) and social norms in society which are an important foundation for economic cooperation and exchange (Bjørnskov 2012). This erosion of social capital will ultimately hinder productive activities and reduce overall economic output. On the other hand, the existence of strong, efficient, and accountable institutions is necessary to prevent opportunistic behavior and ensure an economic climate conducive to growth (Acemoglu and Robinson 2012).

Thus, the Theory presented provides a strong basis for the argument that opportunistic behavior has a negative effect on economic performance. Agency Theory and Public Economic Theory explain the mechanism by which opportunistic behavior can distort resource allocation, inhibit investment, erode social capital, and create uncertainty and high economic costs which in turn will depress economic growth and people's welfare. Therefore, strengthening accountable, efficient, and transparent institutions and governance is key to preventing opportunistic behavior and encouraging more optimal regional economic performance.

Budget Allocation and Economic Performance

Budget allocation refers to the distribution and allocation of funds in the APBD by local governments. Budget allocation includes the distribution of funds for employee spending, goods spending, capital spending and so on. Several studies show a close relationship between budget allocation and regional economic growth and development (Li and Guo 2021). According to Barro (1990), increased government spending on infrastructure and education is driving long-term economic growth. In line with that, Mankiw, Romer et al. (1992) It also states that public expenditure provides positive externalities for productive activities through the provision of capital such as transportation and energy infrastructure. Thus, the study indicates that the composition and structure of budget allocation significantly affect economic performance.

Based on the results of this study, it was found that budget allocation had a positive and significant effect on economic performance in 14 districts and cities in West Kalimantan. This is shown by a p-value of 0.001 which is smaller than the significance level of 0.05 and the regression coefficient of 0.49. These findings confirm the fifth hypothesis (H_5) proposed in this study, namely that budget allocation has a significant effect on economic performance in 14 districts and cities in West Kalimantan. The results of this study are in line with previous studies that show the important role of budget allocation in encouraging economic growth and regional development. Targeted and efficient budget allocation is able to increase economic activities and community welfare through the provision of quality infrastructure, public facilities, and basic services. Therefore, local governments in West Kalimantan are advised to continue to optimize budget allocation to productive sectors and development priorities. Mature, transparent, and performance-based budget planning needs to be carried out so that the positive impact of budget allocation on economic performance can be maximized.

Budget allocation is one of the important instruments in fiscal decentralization that can affect regional economic performance. In the context of regional financial management, budget allocation reflects development policies and priorities set by local governments. Theoretically, efficient and effective budget allocation is expected to encourage economic growth and improve people's welfare. This is in line with the view of public economic theory which emphasizes the role of the government in optimally allocating resources to meet public needs and overcome market failures (Stiglitz and Stiglitz 2000). In addition, the theory of fiscal federalism also explains that fiscal decentralization can improve the efficiency of budget allocation because local governments are considered to understand the preferences and needs of local communities better than the central government (Oates 2008). With greater authority in managing the budget, local governments are expected to be able to allocate public spending in a more responsive and accountable manner.

However, the theory of agency (Agency Theory) also reminded of the potential for agency problems in the relationship between the local government as an agent and the community as the principal (Jensen and Meckling 1976). Information asymmetry and differences of interest can encourage opportunistic behavior of budget decision-makers so that the allocation of public expenditure is not optimal. Therefore, the principles of good governance (good governance) such as transparency, accountability, and community participation are needed to oversee the regional budgeting process in order to produce expenditure allocations oriented to the public interest. Based on this theoretical foundation, the results of this study provide empirical evidence that supports the positive and significant influence of budget allocation on economic performance in 14 districts and cities in West Kalimantan. These findings confirm the fifth hypothesis (H_5) and in line with previous studies that show the important role of budget allocation in encouraging economic growth and community welfare.

It is important for local governments to formulate budget allocation policies that are targeted, efficient, and responsive to the needs of the community. Public spending priorities should be directed to productive sectors that can stimulate economic activity, such as infrastructure, education, and health. In addition, the budget preparation process must also be carried out in a transparent and accountable manner by involving the active participation of the community. Thus, the budget allocation is expected to effectively improve regional development performance and community welfare in a sustainable manner.

Transfer Funds and Economic Performance

Based on the results of the study, it was found that the Transfer Fund had a negative and significant effect on Economic Performance in 14 Regencies and Cities in West Kalimantan. This is indicated by the value of p-value by 0.001 which is smaller than the significance level of 0.05 and the regression coefficient of -0.57. This finding accepts hypothesis 6 (H_6) which states that the Transfer Fund has a significant effect on Economic Performance. The results of this study are contrary to several previous studies that show the positive influence of transfer funds on economic output and community welfare. Balance funds such as DAU and DAK are factors that have a significant influence on economic growth (GDP per capita) in the regions. Moreover Sjahrir, Kis-Katos et al. (2014) It also shows that the increase in DAU will increase the Human Development Index (HDI) through the acceleration of capital expenditure and education expenditure by local governments. However, the results of this study indicate that transfer funds significantly hinder economic performance and development in West Kalimantan.

The negative influence of transfer funds on economic performance can be caused by several factors. First, high fiscal dependence on transfer funds from the central government can reduce local government incentives to optimize local original revenue (PAD) and manage finances efficiently. Second, the use of transfer funds that are not on target and not in accordance with regional development priorities can hinder economic growth and improve people's welfare. Third, weak supervision and accountability in the management of transfer funds can trigger irregularities and corruption that are detrimental to regional finances.

Therefore, to optimize the role of transfer funds in encouraging economic performance and regional development, several policy improvements are needed. First, the central government needs to review the formula and mechanism for allocating transfer funds to better suit the needs and characteristics of the region. Second, local governments must strengthen efforts to increase PAD and spending efficiency so that they are not too dependent on transfer funds. Third, supervision and accountability in the management of transfer funds must be improved through strengthening the function of the regional inspectorate and community participation (Sjahrir, Kis-Katos et al. 2014).

The negative influence of transfer funds on economic performance can be explained by using the perspective of public economic theory. According to Mangkoesoebroto and Prasetiantono (1994), the government has an important role in maintaining internal security and defense, administering the judiciary, and providing goods that are not provided by the private sector, such as road infrastructure and dams. However, the explanation of article 18 of the 1945 Constitution states that local governments are given broad autonomy to accelerate the improvement of community welfare. In this context, transfer funds from the central government should be used by local governments to improve the efficiency and effectiveness of financial management in order to provide quality public services.

Nevertheless, the theory of agency (Jensen and Meckling 1976) explained that the relationship between the central government as the principal and the local government as an agent can cause the problem of misalignment of interests. Local governments that have better information about the conditions and needs of their regions can use transfer funds for personal interests or certain groups, without paying attention to the interests of the community at large. This can explain the findings of the study that show the negative influence of transfer funds on economic performance in West Kalimantan.

Therefore, to optimize the role of transfer funds in encouraging economic performance and regional development, it is necessary to strengthen the principles of good governance in regional financial management. Good governance is the implementation of development management in line with democratic principles, avoiding misallocation of investment funds, preventing corruption, and implementing budget discipline. Local governments must strengthen transparency, accountability, and community participation in planning, implementing, and supervising the use of transfer funds in accordance with regional development priorities.

Budget Allocation, Economic Performance and Opportunistic Fiscal Behavior

Based on the findings of the study that the indirect effect of Budget Allocation (BA) on Economic Performance (EP) through the mediation of Opportunistic Fiscal Behavior (OFB) is not significant (p-value 0.48; coefficient 0.00), Hypothesis 8 (H_8) is not accepted. These results contradict the theoretical arguments put forward in this study. The agency theory put forward by Jensen and Meckling (1976) states that there is a conflict of interest between the principal (the people) and the agent (government) in public sector budgeting. Principals expect agents to act in accordance with their interests, but agents tend to have different personal interests. This can encourage agents to carry out opportunistic fiscal behavior by allocating budgets that are not in accordance with the priorities and needs of the community.

In the context of this study, the Budget Allocation (BA) carried out by the government should affect Economic Performance (EP) through the mediation of Opportunistic Fiscal Behavior (OFB). However, the findings of the study suggest that the indirect effect of BA on EP via OFB is not significant. This can be caused by several factors, such as a strong budget supervision mechanism, transparency and accountability in budgeting so that budget allocation is more in line with the needs of the community and other factors that affect Economic Performance (EP), such as monetary policy, international trade, or global economic conditions.

Transfer Fund, Economic Performance and Opportunistic Fiscal Behavior

Based on the results of the analysis, it was found that the transfer funds (Transfer Fund) does not have a significant effect on economic performance (Economic Performance) through the mediation of fiscal opportunistic behavior (opportunistic fiscal behavior). This is evidenced by the value of p-value by 0.18 and the path coefficient of -0.07 which shows an insignificant indirect effect. This finding is different from the theory built in this study, transfer funds are expected to encourage regional economic performance through productive spending carried out by local governments (Abdullah and Asmara 2006, Sjahrir, Kis-Katos et al. 2014). However, the existence of potential opportunistic behavior in the management of transfer funds does not significantly affect and positively impact transfer funds on the regional economy.

Although several previous studies have found that opportunistic behaviors such as corruption and rent-seeking can hinder the effectiveness of public spending and economic growth (Mauro 1998, Tanzi and Davoodi 1998), but this is not confirmed in this study. There are several possible explanations that can answer this phenomenon. First, although there is a potential for opportunistic behavior in the management of transfer funds, most of these funds are still used relatively effectively to finance development programs in the regions. Tight regulation, supervision, and public participation may explain this phenomenon. Second, the impact of opportunistic behavior on economic performance may be long-term and cannot be captured in research models that use panel data with a limited time span. Corruption and budget misappropriation may only be seen to have an effect on the economy in the long term (Feruni, Hysa et al. 2020).

These findings provide a perspective that the impact of transfer funds on the regional economy does not always depend on the presence or absence of opportunistic behavior. Other factors such as local government capacity, institutional quality, and mature development planning may further determine the success of fiscal decentralization in driving economic performance (Negara and Khoirunurrofik 2021). However, this does not mean that the potential for opportunistic behavior can be ignored. Improving governance, transparency, and accountability in the management of transfer funds must remain a priority to optimize the impact of fiscal transfers on public welfare.

CONCLUSION

Based on the results of the study, it was found that budget allocation did not have a significant effect on opportunistic fiscal behavior, indicating that an increase in budget allocation did not directly trigger such behavior in the area studied. In contrast, transfer funds from the central government have a positive and significant influence on opportunistic fiscal behavior, supporting the hypothesis that higher reliance on transfer funds increases the tendency of local officials to behave opportunistically. Opportunistic fiscal behavior itself has been proven to have a negative and significant impact on economic performance, confirming that such behavior can hinder the achievement of optimal economic performance. On the other hand, budget allocation has a positive and significant effect on economic performance, showing that proper and efficient budget management can increase economic results. However, transfer funds have a significant negative impact on economic performance, indicating that over-reliance on transfer funds can reduce incentives for local governments to optimize financial management and improve economic performance. In addition, opportunistic fiscal behavior does not significantly mediate the relationship between budget allocation and transfer funds and economic performance, suggesting that efforts to address opportunistic fiscal behavior require a more holistic and comprehensive approach, not just through changes in budget allocation or transfer funds.

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