

**THE EFFECT OF MANAGERIAL, POLITICAL, AND  
PUBLIC INTEREST ON BUDGET PERFORMANCE:  
THE ROLE OF BUDGET DISCIPLINE, BUDGET  
APPROVAL, AND ACCOUNTABILITY AS  
MEDIATORS IN INDONESIA LOCAL GOVERNMENT**

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**DOCTOR OF PHILOSOPHY  
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APPROVAL, AND ACCOUNTABILITY AS MEDIATORS IN  
INDONESIA LOCAL GOVERNMENT**

By

**HARRYANTO**

**Thesis Submitted to  
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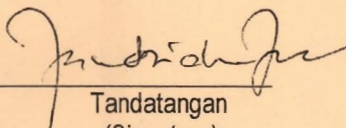
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## ABSTRACT

This study attempts to explain the local government budget of Indonesia in three perspectives: managerial, politic, and public interest. By using the multiple regression analysis, nine hypotheses have been tested. The finding of this research shows that budget discipline, budget approval and accountability are the mediating variables to produce budget performance, but in different level. The independent variables that are local fiscal capacity, budget ceiling and priority, and national priority, in the managerial perspective not all have an impact on the budget performance since the existence of the budget discipline, except budget ceiling and priority. From the political perspective, the approval process should be considered as a crucial process to mediate, intergovernmental transfer, local government prerogative and the role of local politician towards the budget performance. In the perspective of public interest, the accountability becomes a crucial factor that able to mediate financial reporting system, audit system and budget oversight towards the budget performance. The local government budget is vulnerable due to dominant of political power and this causes the implementation of the systems was not reliable, and cannot be subject to the regulation, especially for budgeting systems and accounting standards. Meanwhile the behavior of the local government budget tends to ignore the expectation of majority voters. Other findings, suggests that decentralization brings a different result, at different levels of local government. The provincial governments seem to gain the benefits of decentralization is better, compared with regency and city. Fiscal capacity of provinces are able to increase by leaps and bounds compared to the regency and city governments, as expected, and as a manifestation of the implementation of decentralization policy. However, the county and city governments have not been able to improve their fiscal strength, but is still struggling to afford their routine administration.

**Keywords:** Local government, Managerial perspective, Political perspective, and Public interest

## ABSTRAK

Kajian ini cuba untuk menjelaskan belanjawan kerajaan tempatan di Indonesia dalam tiga perspektif: pengurusan, politik, dan kepentingan awam. Analisis regresi berganda untuk sembilan hipotesis telah diuji. Penemuan kajian ini menunjukkan bahawa disiplin belanjawan, kelulusan belanjawan dan akuntabiliti merupakan pembolehubah perantara untuk menghasilkan prestasi belanjawan, meskipun dalam paras yang berbeza. Pembolehubah bebas kapasiti fiskal tempatan, siling belanjawan dan keutamaan tempatan, keutamaan nasional dalam perspektif pengurusan tidak semua memberi kesan kepada prestasi belanjawan kerana kewujudan disiplin belanjawan, kecuali siling belanjawan dan keutamaan tempatan. Dari perspektif politik, proses kelulusan hendaklah dianggap sebagai satu proses yang penting untuk menjadi pengantara, pemindahan antara kerajaan, hak prerogatif kerajaan tempatan dan peranan ahli politik tempatan terhadap prestasi belanjawan. Dalam dimensi kepentingan awam, akauntabiliti menjadi faktor penting untuk menjadi pengantara sistem laporan kewangan, sistem audit dan pengawasan belanjawan terhadap prestasi belanjawan. Belanjawan kerajaan tempatan terdedah disebabkan oleh dominant of kuasa politik dan ini menyebabkan permohonan sistem tidak dipercayai dan tidak boleh tertakluk kepada peraturan, terutamanya untuk sistem belanjawan dan piawaian perakaunan. Sementara itu, tingkah laku belanjawan kerajaan tempatan lebih cenderung untuk mengabaikan harapan rakyat. Penemuan lain, mencadangkan desentralisasi yang membawa hasil yang berbeza, di peringkat kerajaan tempatan yang berlainan. Pemerintah daerah yang seolah-olah mendapat manfaat buktinya merupakan lebih baik, berbanding dengan kabupaten dan bandar. Kapasiti fiskal provinsi dapat meningkat dengan pesat berbanding dengan kerajaan tempatan kabupaten dan bandar, seperti yang dijangka, dan sebagai manifestasi pelaksanaan dasar desentralisasi. Walau bagaimanapun, kerajaan kabupaten dan bandar telah tidak mampu untuk meningkatkan kekuatan fiskal mereka, tetapi masih bergelut untuk membayar pentadbiran rutin mereka.

**Kata kunci:** Kerajaan tempatan, Perspektif kepengurusan, Perspektif politik dan Kepentingan awam



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## LIST OF ABBREVIATION

ACC	-	Accountability
BAP	-	Budget Approval
BCP	-	Budget Ceiling and Priority
BDC	-	Budget Discipline
BPF	-	Budget Performance
EIA	-	External and Internal Audit
FRS	-	Financial Reporting System
IGT	-	Intergovernmental Transfer
LFC	-	Local Fiscal Capacity
LGP	-	Local Government Prerogative
LPR	-	Local Legislatif Role
NPT	-	National Priority
PBO	-	Public Budget Oversight
PCA	-	Principal Component Analysis
KMO	-	Kaiser Meyer Olkin

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# **CHAPTER I**

## **INTRODUCTION**

### **1.0 Introduction**

Significant change in government system in Indonesia has been followed by significant change in public finance management for the entire government, which is consists of both national and local government. Because of that, there is an existence of wide spread fiscal decentralization to the local government. The fiscal decentralization has brought about a significant new-fangled for the local government in which the former system was strictly centralized. In running the new system reform, local government based on laws and regulations (Firdausy, 2004; Brodjonegoro, 2004) have been established that:

1. Local governments are given wider range of autonomy, but within the remit of unitary.
2. Head of local government and legislatures are separate institutions and both are appointed through an election process. The head of local governments is elected by people to govern the government. The local legislative members (legislators) are elected by people and therefore represent for the people.
3. Local governments have the rights to establish their own local regulations.
4. Local governments have been stipulated as the entity in perspectives of fiscal management.

In the literature local government decentralizations bring some changes in the government function includes, changes in public services, which is the services will be closer to public. Decentralization allows public services to be tailored to local demand, it can promote efficiency

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