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Analysis of Regional Revenue and Expenditure Budget (APBD) Planning and Enactment from A Regional Financial Governance Perspective

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ABSTRACT

The Regional Revenue and Expenditure Budget (APBD) instrument is inherently a reflection of the local government's commitment to public welfare. However, in reality, the budget formulation process is often trapped in the vortex of elite political interest conflicts and marginalizes the essence of public participation. This study aims to deeply analyze the dynamics of APBD management, from the initial planning phase to the final enactment stage, as well as evaluate its impact on the quality of regional financial governance. A qualitative approach utilizing a secondary literature review was applied to examine data sourced from scientific journals, regulations, and reference textbooks within the 2020–2025 period. The findings indicate that implementing good governance in the APBD structure still faces severe obstacles. The execution of Musrenbang tends to be confined to administrative formalities, while budget allocations are heavily dominated by pragmatic political accommodations. Technical constraints such as delays in budget approval, low capacity of planning officials, and the lack of public data transparency further exacerbate the weakness of the oversight system. In conclusion, reforming regional fiscal management demands comprehensive strategic steps, ranging from accelerating digital openness adoption, strengthening bureaucratic human resource capacity, to opening substantive civil oversight spaces. These findings are crucial as a critical reference for local governments to restore the function of the APBD as an engine for social justice.

ABSTRAK

Instrumen Anggaran Pendapatan dan Belanja Daerah (APBD) pada hakekatnya merupakan cerminan dari komitmen pemerintah daerah terhadap kesejahteraan masyarakat. Namun, dalam kenyataannya, proses penyusunan anggaran sering kali terjebak dalam pusaran konflik kepentingan politik elite dan meminggirkan esensi partisipasi publik. Penelitian ini bertujuan untuk menganalisis secara mendalam dinamika pengelolaan APBD, mulai dari tahap perencanaan awal hingga tahap pengesahan akhir, serta mengevaluasi dampaknya terhadap kualitas tata kelola keuangan daerah. Pendekatan kualitatif dengan memanfaatkan tinjauan pustaka sekunder diterapkan untuk memeriksa data yang bersumber dari jurnal ilmiah, peraturan perundang-undangan, dan buku teks referensi dalam rentang waktu 2020–2025. Hasil penelitian menunjukkan bahwa penerapan good governance dalam struktur APBD masih menghadapi kendala berat. Pelaksanaan Musrenbang cenderung terbatas pada formalitas administratif belaka, sementara alokasi anggaran sangat didominasi oleh akomodasi politik pragmatis. Kendala teknis seperti keterlambatan persetujuan

anggaran, rendahnya kapasitas aparatur perencana, dan minimnya transparansi data publik semakin memperparah lemahnya sistem pengawasan. Kesimpulannya, reformasi pengelolaan fiskal daerah menuntut langkah-langkah strategis yang komprehensif, mulai dari percepatan adopsi keterbukaan digital, penguatan kapasitas sumber daya manusia birokrasi, hingga pembukaan ruang pengawasan masyarakat sipil yang substantif. Temuan ini sangat krusial sebagai acuan kritis bagi pemerintah daerah untuk mengembalikan fungsi APBD sebagai mesin penggerak keadilan sosial.

INTRODUCTION

The implementation of regional autonomy in Indonesia, which is legally strengthened through Law Number 23 of 2014 concerning Regional Government, has fundamentally transformed the architecture of power and financial relations between the central and regional governments. Fiscal decentralization, which serves as the soul of this policy, was designed with a noble expectation: to cut rigid bureaucratic chains, accelerate infrastructure development in peripheral areas, and provide full autonomy for local governments to respond to basic public needs with greater precision, speed, and context. In the constellation of modern public administration, the Regional Revenue and Expenditure Budget (APBD) occupies the most crucial and strategic position in driving local governance. APBD is not merely a normative accounting document summarizing estimated revenue figures and material expenditure allocations within a fiscal year, but rather a public-political policy instrument that reflects the ideological, moral, and economic orientation of the regional government toward the welfare of its constituents. Healthy, transparent, comprehensive regional financial management that positions the public interest as paramount is the primary indicator of success in exercising discretionary rights over regional household affairs.

Although the legal foundation of decentralization has been firmly established, empirical reality across various regions in Indonesia demonstrates sharp deviations and distortions from the intended normative corridors. The lengthy budget management process—stretching from the initial planning phase to the final enactment of regional regulations—frequently shifts its function into an arena of political contestation and exhausting pragmatic transactionalism between executive and legislative elites. This symptom of bureaucratic pathology is confirmed through the execution of Development Planning Deliberation (Musrenbang) forums at the grassroots level, which are often co-opted and squeezed into merely fulfilling legalistic administrative prerequisites (Siregar, 2024). On the other hand, civil society engagement remains at the level of tokenism, where their voices are heard but rarely accommodated into the draft General Budget

Policies (KUA) and Provisional Budget Priorities and Ceilings (PPAS). This severe lack of substantive public involvement is closely intertwined with low financial information transparency, ultimately narrowing social control spaces and creating acute information asymmetry between budget authorities and the public as the rightful holders of fiscal sovereignty.

The cascading impact of this budget governance disharmony inflicts immense sociological and economic losses on regional development stability. Chronic misalignment between medium-term planning documents (RPJMD) and annual budget realization causes many macro regional development targets to stagnate and lose direction. Public expenditure allocations that should be prioritized for fulfilling basic citizen rights—such as guaranteeing basic education quality, improving primary healthcare facilities, and eradicating extreme poverty—are frequently eroded and outcompeted by bloated personnel expenses and inefficient apparatus goods/services spending. This situation is further exacerbated by the frequent phenomenon of delayed APBD draft approvals resulting from prolonged political tug-of-war on the legislative floor. When a region experiences budget enactment delays beyond the constitutional deadline, the regional economic circulation suffers partial paralysis: public project tender executions are postponed, fiscal realization absorption becomes severely low in the first half of the year, and vulnerable community groups relying on social safety net schemes end up suffering the most (Ramadhan et al., 2025).

The complexity of this vicious cycle in regional financial management underscores the urgency of conducting this research. This study is aimed at radically dissecting the political-administrative dynamics surrounding the APBD planning and enactment cycle through the analytical lens of good governance. The fundamental distinction between this study and previous literature lies in its effort to comprehensively synthesize the latest interconnections among inhibiting variables, ranging from budget politicization, technical competency gaps among bureaucratic apparatuses, to the imperative of digitalizing regional financial transparency. This critical analysis, grounded in recent literature review, is expected to unravel the intricate web of regional fiscal governance while formulating tactical and operational policy recommendations for decision-makers to reform the budgeting system into one that is more inclusive, accountable, and fully oriented toward social justice.

LITERATURE REVIEW

The Concept of APBD in Regional Financial Governance

The Regional Revenue and Expenditure Budget (APBD) is the primary instrument in regional financial management, serving as the foundation for administering government, development, and public services within a single fiscal year. In accordance with Government Regulation Number 12 of 2019 on Regional Financial Management, APBD is an annual regional financial plan enacted through a Regional Regulation and serves as a reference for regional governments in carrying out various development programs and activities. APBD is not merely viewed as an administrative document containing detailed regional revenues and expenditures, but also as a public policy instrument reflecting development priorities and the strategic direction of regional government policies in enhancing public welfare (Mahmudi, 2019).

Mardiasmo (2018) states that APBD plays a crucial role in regional government administration, encompassing five main functions: authorization, planning, oversight, allocation, and distribution functions. The authorization function indicates that APBD serves as the legal basis for regional governments to execute regional revenues and expenditures (Hutagalung, 2024). The planning function positions APBD as a reference in setting development targets and regional government policy priorities. The oversight function makes APBD a control mechanism over the implementation of development programs to align with established objectives. In its allocation and distribution roles, APBD is expected to support equitable development and enhance public welfare in a fair and equitable manner.

Mahmudi (2019) emphasizes that sound APBD management must focus on four main pillars: effectiveness, efficiency, transparency, and accountability. Regional governments are expected to manage financial resources optimally to meet public needs in a timely and targeted manner. Less transparent APBD management can lead to various serious issues, such as the misuse of public funds, inefficiency in regional spending, and regional development disparities (Makatara et al., 2025). Therefore, the formulation and execution of APBD must be conducted transparently and involve active public oversight so that regional budgets are genuinely utilized for the broader public interest (Purnami et al., 2025).

In addition to functioning as a fiscal instrument, APBD plays an essential role in driving regional economic growth. Halim et al. (2019) state that the quality of APBD management significantly impacts regional development success, as the regional budget is the primary funding source for development programs and public services. The more effective the APBD management, the higher the likelihood of regional governments sustainably improving infrastructure quality, education, healthcare, and public welfare. Consequently, APBD serves not only as a financial management tool but also as a development instrument determining the direction and speed of long-term regional development.

Good Governance Theory

The concept of good governance is a theory emphasizing the importance of administering government transparently, participatorily, effectively, and accountably in managing public resources. Sedarmayanti (2017) defines good governance as a governance system involving synergistic collaboration among the government, private sector, and civil society to create accountable public management with tangible impacts. This idea emerged as a critical response to acute traditional bureaucratic issues, including deep-rooted corruption, abuse of power, poor public service quality, and weak oversight mechanisms over government policies and actions.

The United Nations Development Programme (UNDP), as cited in Sedarmayanti (2017), establishes that the core principles of good governance include: participation, transparency, accountability, effectiveness, efficiency, the rule of law, and responsiveness. The principle of participation dictates that all citizens have the right to actively participate in public decision-making processes, directly or through legitimate representative institutions. Transparency relates to the government's obligation to provide easily accessible, understandable, and verifiable information to the public. Accountability requires that every government policy and action must be answerable to society, morally and legally. Meanwhile, effectiveness and efficiency indicate that governance execution must deliver optimal public services through optimal and measurable resource utilization (Dwiyanto, 2015).

In APBD management, applying good governance principles is paramount as it directly links to public budget utilization sourced from taxpayers' money. Law Number 23 of 2014 concerning Regional Government explicitly emphasizes that regional financial management must be executed orderly, efficiently, economically, transparently, and

accountably. Purnami et al. (2025) state that implementing good governance in regional budgeting can enhance public policy quality because the budget formulation process occurs openly and involves meaningful public participation. Through transparency and active public participation, citizens can monitor regional budget usage, thereby significantly minimizing budget deviations and misappropriations.

Furthermore, good governance serves to strengthen public trust in regional government institutions. Based on the analysis of Wirawan & Yaya (2024), governments that consistently implement transparency and accountability principles tend to earn higher public trust because enacted policies are perceived to prioritize the public interest over group interests. Conversely, low implementation of good governance principles can lead to declining governmental legitimacy and heightened public dissatisfaction with received service quality.

Agency Theory and Public Choice Theory

To dissect the complexity of deviations in regional financial management, this analysis borrows theoretical frameworks from Agency Theory and Public Choice Theory. Within democratic governance, citizens are positioned as the principal (the owners of sovereignty and tax sources), while the regional government and local parliament (DPRD) act as agents mandated to manage these funds for the principal's benefit. Ideally, this social contract obligates agents to maximize public utility. However, operational realities within bureaucracies often yield the agency problem, driven by high information asymmetry between bureaucratic elites and the general public (Jensen & Meckling, 1976).

This information asymmetry opens loopholes for moral hazard, where budget management agents tend to manipulate fiscal policy to maximize personal or group utility through rent-seeking behavior, rather than pursuing public efficiency (Kurniawan & Nugraha, 2017). This aligns with the foundational postulates of Public Choice Theory developed by Buchanan & Tullock (1962), which reject the romantic assumption that bureaucrats and politicians are public servants always oriented toward the common good. Instead, this theory views government actors as rational individuals driven by incentives such as power, office, or economic rents. In formulating the APBD, these actors make careful political calculations: regional heads seek to fund populist programs to boost their image ahead of upcoming elections, while legislative members aim to

allocate infrastructure projects to their electoral districts (pork-barrel politics) to nurture constituent loyalty.

Fiscal Decentralization and New Institutionalism

The Decentralization Theorem assumes that regional governments possess an information advantage over the central government regarding citizens' specific preferences and needs. This assumption provides theoretical legitimacy for delegating APBD allocation authority fully to local levels. However, in the context of regional autonomy in Indonesia, this authority delegation frequently overlooks the harsh reality of institutional capacity asymmetry among regions. National regulations design a uniform financial management system across all regions, regardless of whether a region is a metropolitan city with trillions of rupiah in Local Genuine Revenue (PAD) or an isolated remote regency with severely limited bureaucratic human resources (Ramadhan & Khoirunurrofik, 2023).

Furthermore, good governance implementation failures in APBD can be dissected through the lens of New Institutionalism Theory, specifically sociological institutionalism developed by March & Olsen (1984). This theory postulates that institutions are not merely sets of written legal rules, but also encompass informal norms, political culture, and deeply entrenched habits within bureaucracies. In APBD formulation, intense friction frequently occurs between formal rules (such as transparency mandates and cost-standard analysis) and informal rules (patronage culture, clientelism, and deferential reluctance toward superiors). When pressured by central regulations to adopt modern governance, Indonesian regional governments often respond with isomorphic mimicry—adopting the external form of governance reforms to appear compliant, while never executing the substantive function of those reforms (Darmawan et al., 2025).

Critical Review of Agency Theory and Public Choice in the APBD Ecosystem

To dissect the complexity of deviations in regional financial management, this analysis employs analytical tools from Agency Theory and Public Choice Theory. In democratic governance, the public is the principal (owner of sovereignty and tax revenue), whereas regional governments and the DPRD act as agents mandated to manage those funds for public welfare. Ideally, this social contract demands that agents act to maximize public

utility. However, bureaucratic operational reality frequently generates agency problems driven by acute information asymmetry. Planning officials and politicians possess full access, technical understanding, and direct control over detailed financial data, whereas the public is provided only with aggregated, filtered summaries.

Information asymmetry fosters moral hazard, where budget agents manipulate fiscal policy for personal or group rent-seeking behavior rather than public efficiency. This corresponds directly with Public Choice Theory, which refutes the notion of selfless bureaucrats and politicians. Instead, government actors operate as rational, incentive-driven individuals. During APBD formulation, actors perform strategic political calculations: regional heads fund visible populist initiatives to bolster re-election prospects, while legislators channel infrastructure projects to constituent strongholds (pork-barrel politics). Consequent collusion between these agents causes the APBD to lose technical rationality. Urgent objective projects are side-lined if they lack electoral or financial returns for decision-makers, explaining why rational mechanisms like Musrenbang fail when colliding with the pragmatic interests of budget-approving agents.

Fiscal Decentralization and Regional Capacity Asymmetry

Understanding APBD management failures requires tracing back to the theoretical premises of fiscal decentralization. The Decentralization Theorem presumes local authorities hold an information advantage regarding constituent needs. While this justifies decentralizing APBD allocation authority, Indonesian regional autonomy often ignores severe inter-regional institutional capacity disparities. Uniform financial management regulations—from nomenclature to reporting deadlines—are imposed indiscriminately, treating multi-trillion rupiah metropolitan areas identically to newly expanded, isolated regencies lacking skilled administrative personnel.

Forcing standardized regulations onto asymmetric realities creates acute institutional pathologies. Low-capacity regions develop absolute reliance on central government Transfer to Regions and Village Funds (TKDD). Dominance of central transfers diminishes local government sensitivity toward local accountability (to their constituents), fostering an upward accountability bias focused on central ministries in Jakarta rather than local citizens. This explains why public participation in Musrenbang in low-capacity regions stalls; citizens realize their input cannot alter budget structures pre-determined by central ministry technical guidelines.

New Institutionalism and Governance Mimicry

Furthermore, good governance breakdowns in APBD management can be analyzed through New Institutionalism, particularly sociological institutionalism. Institutions comprise not only written laws but also informal norms, political culture, and entrenched administrative habits. APBD preparation involves friction between formal rules (transparency and cost standard analysis) and informal rules (patronage, clientelism, and hierarchical deference).

When pressured by central directives to modernize governance, Indonesian local governments frequently employ isomorphic mimicry. Bureaucracies adopt the superficial form of governance reforms to demonstrate legal compliance without executing their substantive function. For instance, local governments launch budget transparency portals to meet central administrative requirements, but upload unsearchable documents (such as low-resolution scanned PDFs) or executive summaries lacking itemized details. This mimicry allows bureaucratic elites to preserve the status quo and protect rent-seeking practices from public oversight while maintaining formal state legitimacy.

Previous Studies and Research Gap

Sopanah & Wahyudi (2018) indicate that community involvement in APBD preparation via Musrenbang forums remains a formal administrative exercise. Community proposals are rarely prioritized in regional budget decisions due to dominant local political and bureaucratic elite interests. Fitrianti & Sari (2024) show that public information access significantly affects community trust in local governments; greater transparency increases public participation in monitoring public policies. Rahman & Putri (2021) demonstrate that applying good governance principles improves regional development effectiveness when supported by robust public oversight.

Recent work by Sawir et al. (2024) proves a significant positive correlation between high civil society involvement and reduced regional fund misallocations. Mbipi et al. (2021) empirically show that apparatus adherence to good governance pillars directly correlates with higher budget absorption efficiency in Regional Working Units (SKPD). Makatara et al. (2025) highlight how digital platforms create public involvement opportunities while being constrained by low public financial literacy. Saskia et al. (2025) demonstrate

that apparatus competency acts as a key moderating variable between transparency and governance quality.

Existing literature primarily analyzes APBD management through isolated dimensions of transparency or public participation. A significant research gap remains regarding comprehensive evaluations connecting good governance principles, budget politicization, apparatus competency, digitalization, and APBD distribution effectiveness in contemporary regional administration. This study fills this gap through an integrative synthesis across eight critical analytical dimensions.

RESEARCH METHODS

This study is constructed using a qualitative approach with a systematic literature review design. The selection of this research design is based on methodological considerations that dissecting a macro public policy phenomenon such as APBD governance—which involves dozens of regions with highly diverse dynamics—requires an instrument capable of capturing, extracting, and synthesizing patterns from existing empirical findings (Sugiyono, 2020). Through a systematic literature review, researchers gain broader analytical latitude to perform cross-case comparisons of budgeting failures across various regencies, cities, and provinces in Indonesia, ultimately yielding a more solid and comprehensive conceptual conclusion than single case studies.

The analytical foundation of this research relies entirely on authoritative and verified secondary data. Data sources were filtered and narrowed into four primary clusters. First, articles from reputable national and international scientific journals specifically analyzing the intersection of public policy, local political science, and public sector accounting. Second, research reports and technical guidelines published by state audit bodies, particularly the Financial and Development Supervisory Board (BPKP). Third, foundational reference textbooks academically recognized in good governance discourse. Fourth, formal legal frameworks establishing operational regional autonomy, namely Law of the Republic of Indonesia Number 23 of 2014 and Government Regulation of the Republic of Indonesia Number 12 of 2019.

To maintain novelty and relevance to contemporary digital governance realities, primary literature—especially journal articles—was strictly limited to publications from 2015 to early 2025. Purposive literature sampling was conducted via validated academic database search engines: Ristekdikti Garuda Portal, Google Scholar, and the Directory of

Open Access Journals (DOAJ). A multi-layered Boolean search strategy was employed, combining key phrases such as 'APBD Pathology', 'Regional Financial Transparency', 'Executive-Legislative Budget Politics', and 'Musrenbang Evaluation'.

The qualified literature corpus was analyzed using circular content analysis. Data reduction was conducted to extract core ideas, findings, and conclusions from prior studies. Thematic grouping followed, categorizing findings into four main problem dimensions: (1) failure of public participation, (2) politicization of fiscal policy, (3) apparatus skill deficit, and (4) opacity of financial information access. Once problem mapping was complete, the process concluded with interactive synthesis through the lens of good governance doctrine to interpret root causes and formulate actionable, logical policy recommendations.

RESULTS AND DISCUSSION

Normatively, Indonesia's regional financial management ecosystem is equipped with highly rigid and structured statutory regulations—ranging from mandatory Performance-Based Budgeting, integration of the Regional Government Information System (SIPD), to legal mandates regarding timely budget enactment. However, synthesizing dozens of literature sources reviewed in this study reveals a troubling reality: sophisticated regulations do not translate into improved APBD management integrity in practice. Bureaucratic pathologies and governance anomalies continue to reproduce and mutate across every phase of the budget cycle. These chronic obstacles are examined through four critical analytical clusters as follows.

The Musrenbang Paradox: Pseudo-Participation and Grassroots Voice Co-optation

The planning phase constitutes the initial foundation determining an APBD's orientation (Ananda, 2022). At this junction, good governance mandates active citizen engagement through tiered Development Planning Deliberation (Musrenbang) forums. The ideal of Musrenbang is to synthesize top-down bureaucratic planning with bottom-up, needs-based community input.

Empirical reality, however, reflects a tragic anomaly. Critical analyses by Dahliah (2022) and Silvia & Myrna (2023) indicate that aspirational absorption in Musrenbang operates largely as 'pseudo-participation'. Citizens assemble at village halls, deliberate, and record

infrastructure, education, and health needs. Yet, when proposals advance to sub-district and regency/city levels, thousands of community requests are systematically eliminated by the technical machinery of Regional Development Planning Agencies (Bappeda). Proposal cuts are routinely justified under standard pretexts of 'indicative ceiling limitations' or 'misalignment with Regional Government Work Plans (RKPD)'.

This generates collective public frustration. Citizens witness urgent proposals for village roads or community clinics rejected due to lack of funds, only to see approved APBD documents contain massive procurements and office building renovations that were never discussed during Musrenbang (Hidayat, 2022). This co-optation confirms that authority over budget allocation resides firmly with bureaucratic elites, reducing public participation to a mere legitimizing formality.

The APBD Gladiator Arena: Pragmatic Interventions and Transactional Politics

When draft General Budget Policies and Provisional Budget Priorities and Ceilings (KUA-PPAS) prepared by the executive reach parliament (DPRD) for deliberation, the budget's technical dimension transitions into a political arena fraught with friction. Holding constitutional budgeting rights, the DPRD possesses authority to modify, increase, or trim executive proposals (Government of the Republic of Indonesia, 2014). Damara (2023) reveals that legislative Budget Committee (Banggar) deliberations frequently turn into transactional marketplaces. Lawmakers exert political pressure to insert constituent funds or specific grant projects directed to their electoral districts.

The primary driver of this budgetary politics is constituent clientelism to secure electoral loyalty rather than general public welfare (Soeparno, 2022). If regional heads refuse to accommodate legislative requests, parliaments deploy delaying tactics, stalling approval meetings near the legal November 30 deadline (Luthfi Azhari et al., 2025). Approaching deadlines force executive compromises to avoid central ministry administrative sanctions. Consequently, enacted APBD structures become piecemeal, deviating from efficiency standards and distorting welfare distribution goals.

Financial Analysis Competency Deficit: Root of Expenditure Inefficiency

Financial governance challenges stem not only from external political pressures but also from internal human resource deficiencies within regional agencies. Government Regulation Number 12 of 2019 mandates Performance-Based Budgeting (PBK),

prohibiting arbitrary line-item allocations and requiring every allocated rupiah to link directly to measurable output and outcome indicators (BPKP, 2021).

This requires civil servants—specifically Financial Administration Officers (PPK) and planning personnel across Regional Working Units (SKPD)—to possess intermediate-to-advanced financial literacy. However, recent literature indicates that many regional officials lack technical proficiency in formulating precise Expenditure Standard Analyses (ASB) (Mahmudi, 2019). Technical weaknesses result in repetitive copy-paste budgeting patterns from prior years.

Rather than designing targeted programs to address inflation or stunting, personnel default to routine administrative activities—such as repetitive meetings, workshops, or out-of-town comparative studies yielding minimal substantive impact (Purba, 2025). Accumulated technical deficiencies lead to spending inefficiencies and elevated risks of state financial losses during State Audit Board inspections (Mbipi et al., 2021).

The Dark Veil of Openness: Transparency Barriers and Accountability Crisis

A core pillar of good governance is public access to monitor tax revenue expenditures (Sedarmayanti, 2017). Studies by Putri (2021) and Fitrianti & Sari (2024) conclude that public access to detailed regional budget documents remains restricted. While regional governments publish summary APBD figures on official websites, disclosed data consists primarily of macro-aggregate numbers that prevent unit-level cost tracking. When civil society groups request detailed Budget Work Plans (RKA) for specific agency projects, agencies frequently invoke regulatory exceptions to withhold information.

Opacity in financial reporting paralyzes public early-warning mechanisms. Price mark-ups and fictitious procurement projects are often uncovered only years later during criminal corruption proceedings (Wirawan & Yaya, 2024). Addressing this requires mandatory digital transparency via open data models, where granular e-budgeting details are publicly accessible down to unit prices, and legislative-executive budget deliberations are broadcast via live streams (Temalagi & Silooy, 2022).

Strategic Recommendations: Re-Engineering Financial Governance Systems

Given the severity of structural budget pathologies, piecemeal reforms are inadequate. Central and regional authorities must undertake comprehensive business process re-

engineering of the local financial ecosystem. Complete digital transparency is essential; regional governance systems must adopt open data standards allowing public access to line-item e-budgeting data and live-streamed budget hearings (Temalagi & Silooy, 2022).

Alongside digital acceleration, human resource reform in financial management is imperative. Civil service personnel systems must replace patronage-based appointments for treasurers and planners with independent, competency-based financial analysis examinations and certifications (Kurniawan & Nugraha, 2017; Sudiarti, 2019).

Budget Refocusing Dynamics in Crisis Eras: Lessons from the COVID-19 Pandemic

The vulnerability of regional financial governance became acutely visible during emergency situations, such as the peak of the COVID-19 pandemic. Soeparno (2022) notes that central directives for large-scale budget refocusing and reallocation forced regional governments to restructure APBDs mid-year without standard Musrenbang processes or full parliamentary approvals. Exceptional fiscal discretion concentrated within executive hands under the principle of public safety as the supreme law (salus populi suprema lex esto).

While fiscal flexibility was necessary to fund medical equipment, healthcare incentives, and social assistance rapidly, it introduced significant accountability risks from a good governance perspective. Regular expenditure cuts were applied indiscriminately without rigorous Expenditure Standard Analyses (ASB). Furthermore, diminished legislative checks and balances during emergencies expanded opportunities for administrative malpractice.

In several regions, social safety net programs and food relief packages were politicized with campaign branding for incumbent regional heads. Direct procurement of pandemic goods and services provided fertile ground for corruption involving bureaucratic networks. These experiences highlight that APBD architectures lack contingency plans that balance rapid emergency response with legal accountability. Without mature digital oversight systems, granting unchecked discretionary authority during crises compromises clean governance principles.

Resonance of Regional Financial Governance on Village Fund Management

Analyzing APBD pathologies requires examining linkages to the lowest tier of government: Village Budgets (APBDes). Fiscal decentralization extends beyond regencies/cities to villages through Village Fund Allocations (ADD) derived directly from APBDs. As analyzed by Fitrianti & Sari (2024) and Wirawan & Yaya (2024), governance quality at the regency level exerts a direct spillover effect on village-level integrity. Elitist, non-transparent regency planning practices are frequently replicated by village heads and officials (Awaliyah et al., 2025).

Field studies demonstrate that village heads face dual pressures. Ministry regulations mandate transparent APBDes formulation involving Village Consultative Bodies (BPD) and residents. However, village heads often encounter bureaucratic clientelism at the regency level, where Village Fund disbursemenets are delayed if village heads lack political alignment with incumbent regional leaders. In extreme cases, sub-district or regency officials pressure villages to direct procurement funds to designated contractors.

Such vertical interventions undermine village autonomy. Facing complex accounting mandates with limited technical training (Temalagi & Silooy, 2022), village officials often resort to generating fabricated accountability reports (SPJ) to ensure paper compliance for inspectorate audits. Good governance cannot be demanded solely from lower-level entities; it requires consistent modeling from regency and city leadership holding authority over APBD management. Upper-level governance failures inevitably degrade local trust in village fund efficacy.

Compliance Audit vs. Performance Audit: The External Oversight Dilemma

The final stage of the APBD cycle involves external audit and evaluation. The Audit Board of Indonesia (BPK) holds the mandate to audit annual regional financial realization reports (Rahayuningsih et al., 2024). Regional governments frequently celebrate receiving an Unqualified Opinion (WTP) from the BPK as definitive proof of clean, transparent financial management.

However, contemporary literature challenges this assumption. An Unqualified Opinion (WTP) reflects administrative compliance—verifying whether financial statements, asset recordings, and transaction records adhere to Standards of Government Accounting (SAP). It does not evaluate whether funds were spent effectively or if rent-seeking occurred during initial planning. Numerous anti-corruption enforcement actions

involving regional heads and legislative leaders have occurred in jurisdictions holding consecutive WTP ratings.

This disconnect stems from an audit framework focused on document compliance rather than program outcomes (value for money). Fictitious activities with impeccably forged receipts and attendance logs pass conventional accounting audits. Scholars advocate transitioning from compliance-only audits toward rigorous Performance Audits and Forensic Audits (Mahmudi, 2019). Performance audits evaluate not only purchase receipts for agricultural equipment, for example, but whether equipment reached intended recipients, suited local soil conditions, and increased crop yields. Without evaluating substantive value for money, budget leakage will persist behind compliant documentation.

Digital Disruption and SIPD Implementation Challenges

To address regional financial management deficiencies, the Ministry of Home Affairs mandated the adoption of the Regional Government Information System (SIPD). SIPD functions as an integrated digital tool linking planning (RPJMD and RKPD) with budgeting (KUA-PPAS to draft APBD) on a cloud platform. It locks program entries to prevent unauthorized project insertions prior to budget enactment by creating traceable digital footprints monitored centrally.

While conceptually sound, field implementation of SIPD has introduced operational challenges. Local agencies experienced technological and cultural friction transitioning from flexible legacy systems to SIPD's rigid structure. Pre-set program nomenclatures created difficulties for regions with local requirements not represented in standard drop-down menus. Additionally, central server downtime near data entry deadlines delayed budget preparation, inadvertently contributing to late APBD enactments. Digitalization requires technical infrastructure readiness, organizational adaptation, and system flexibility to support local requirements beyond standardized administrative formatting.

Electoral Cycles and APBD Politicization Ahead of Local Elections

The local electoral cycle (Pilkada) significantly influences APBD rationality. Political business cycle literature indicates regional budget structures fluctuate relative to incumbent election calendars. During initial term years, budget allocations focus primarily on long-term infrastructure. Approaching election years, budget allocations experience notable shifts (Damara, 2023; Ananda, 2022).

In pre-election periods, incumbents may reallocate capital expenditure budgets (such as long-term road construction) toward Grants and Social Assistance (Bansos). Social assistance programs offer immediate political visibility among voters. APBD funds are directed to community organizations, agricultural groups, and local associations within key electoral bases. This budget politicization represents a subtle abuse of authority executed through official channels, reallocating resources toward campaign objectives at the expense of essential public facility maintenance.

Institutional Fragmentation Between Bappeda and TAPD

Managerial weaknesses in APBD formulation also stem from organizational fragmentation between the Regional Development Planning Agency (Bappeda) and the Regional Financial and Asset Management Agency (BPKAD), which lead the Regional Government Budget Team (TAPD). Procedurally, Bappeda gathers community input and drafts planning blueprints (RKPD), while BPKAD translates plans into financial ceilings (KUA-PPAS).

In practice, friction occurs between planning objectives and financial constraints. Bappeda may design development plans based on optimistic revenue projections to accommodate political and community requests. BPKAD, managing cash flow, frequently executes unilateral budget cuts to address projected deficits. Late-stage budget cuts driven primarily by accounting balancing can impact project functionality—such as funding school building construction through Education Agency budgets while cutting allocations for desks, chairs, and contractual staff during final adjustments.

CONCLUSION

Based on the literature review, it can be concluded that regional revenue and expenditure budget (APBD) management in Indonesia possesses a structured regulatory foundation. However, implementation challenges affect regional financial governance effectiveness. These challenges stem from incomplete adoption of good governance principles, particularly regarding transparency, accountability, and public engagement in regional budgeting.

Key findings indicate: First, public participation in APBD formulation remains largely formal, limiting the impact of public input on budget decisions. Second, APBD deliberations remain susceptible to political interests, resulting in allocations that do not

consistently align with community needs. Third, human resource capacity constraints and oversight limitations impede efficient, accountable APBD management.

Improving APBD management requires targeted strategic measures. Regional governments must enhance budget transparency using accessible digital platforms and information technology. Human resource development through structured training is necessary to improve planning and financial management efficiency. Furthermore, public participation in Musrenbang forums must be strengthened to serve as a meaningful component of regional development prioritization.

This study relies on secondary literature review data without direct field observation, limiting detailed region-specific analyses. Time and reference constraints focused the scope primarily on general APBD management and good governance principles.

Nevertheless, these findings offer insights for regional governments, academics, and the public regarding APBD management dynamics. The study highlights that regional financial management quality directly impacts development efficiency and public welfare. Accountable, participatory, and transparent APBD management supports effective regional development meeting community needs.

Future research should incorporate field studies or regional case analyses to examine APBD execution at local levels. Additionally, subsequent research can evaluate how digital financial systems influence transparency and public participation in budgeting processes.

Furthermore, this study highlights the risks of isomorphic mimicry in regional administration, where digital tools like SIPD risk becoming compliance formalities unless accompanied by organizational culture reform. Fiscal decentralization affected by election cycles and internal administrative fragmentation demonstrates structural challenges in regional budgeting. Disconnects between macro planning documents and fiscal cash realization affect public service delivery at local levels.

Policy recommendations include establishing clear fiscal transfer adjustments (DAU/DAK) for regions misallocating public funds. Institutionalizing independent civil society oversight supported by legal frameworks can enable public engagement in budget evaluation. Structural adjustments and consistent public engagement remain essential to aligning APBD management with social welfare objectives.

Table 1.

Matrix of Previous Studies

No.	Researcher & Year	Research Title	Focus & Method	Main Results / Findings
1	Silvia & Myrna (2023)	The Role of Society in Public Budget Planning	Qualitative / Public Participation	Public participation remains administrative formality; substantive involvement is crucial to prevent budget leakage.
2	Fitrianti & Sari (2024)	The Effect of Transparency & Accountability on Village Fund Governance	Quantitative / Village Governance	Transparency and accountability at the regency level have a direct spillover effect on village governance integrity.
3	Wirawan & Yaya (2024)	The Effect of Accountability, Transparency & Fairness on Public Trust	Quantitative / Public Trust	Budget information transparency is the most decisive variable in restoring public distrust in local government.
4	Damara (2023)	Budget Politics and Its Impact on Regional Public Policy	Qualitative / Executive-Legislative Dynamics	The budgeting process is heavily laden with transactionalism and budgetary politics that distort public policy goals.
5	Ramadhan & Khoirunurrofik (2023)	Regional Financial Accountability in Special Autonomy: Aceh, Papua, West Papua	Quantitative / Fiscal Capacity	High central transfer funds reduce local government accountability sensitivity toward local constituents.
6	Luthfi Azhari et al. (2025)	Effectiveness of Regional Administrative System on APBD Performance	Qualitative / Administrative Performance	Delays in APBD discussions and weak administration directly hinder fund disbursement and public project execution.
7	Soeparno (2022)	Political Budgeting Dynamics: Executive-Legislative Interaction for COVID-19	Comparative / Emergency Response	During the pandemic crisis, a massive shift of fiscal power to the executive occurred, creating new vulnerabilities in accountability.
8	Dahliah (2022)	Participatory Development Planning in Absorbing Public Aspirations into APBD	Qualitative / Musrenbang Evaluation	Grassroots priority proposals in Musrenbang are often eliminated by upper-level bureaucratic elite priority scales.
9	Ananda (2022)	Effectiveness of Regional Development Planning in Improving Budget Quality	Qualitative / Regional Planning	Misalignment between RPJMD, RKPD, and APBD stems from weak technical expertise among Bappeda officials.
10	Sawir et al. (2024)	The Effect of Public Participation on Regional Budgeting Quality	Quantitative / Budget Quality	There is a significant positive correlation between civil society involvement and reduced fund allocation deviations.
11	Putri (2021)	Transparency in Regional Budget Management	Qualitative / Information Access	Culture of secrecy in regional bureaucracies causes detailed agency RKAs to often be hidden from the public.
12	Mbipi et al. (2021)	Regional Financial Management and Good Governance on SKPD Performance	Quantitative / SKPD Performance	Apparatus compliance with good governance pillars directly correlates with increased budget absorption efficiency.

No.	Researcher & Year	Research Title	Focus & Method	Main Results / Findings
13	Makatara et al. (2025)	Public Budget Accountability and Community Participation in Digital Era	Qualitative / Digital Governance	Digital participation opens new dimensions of public involvement but still requires strengthening public financial literacy.
14	Darmawan et al. (2025)	Budget Efficiency and Its Impact on Good Governance Practices	Qualitative / Bureaucratic Reform	Budget efficiency directly correlates with good governance quality; unplanned budget cuts harm public services.
15	Saskia et al. (2025)	Effect of Transparency, Accountability, Apparatus Competency on Good Governance	Quantitative / Sub-district Governance	Apparatus competency is proven to be a key moderating variable between transparency and governance quality.

Source: Processed by authors from various sources (2026)

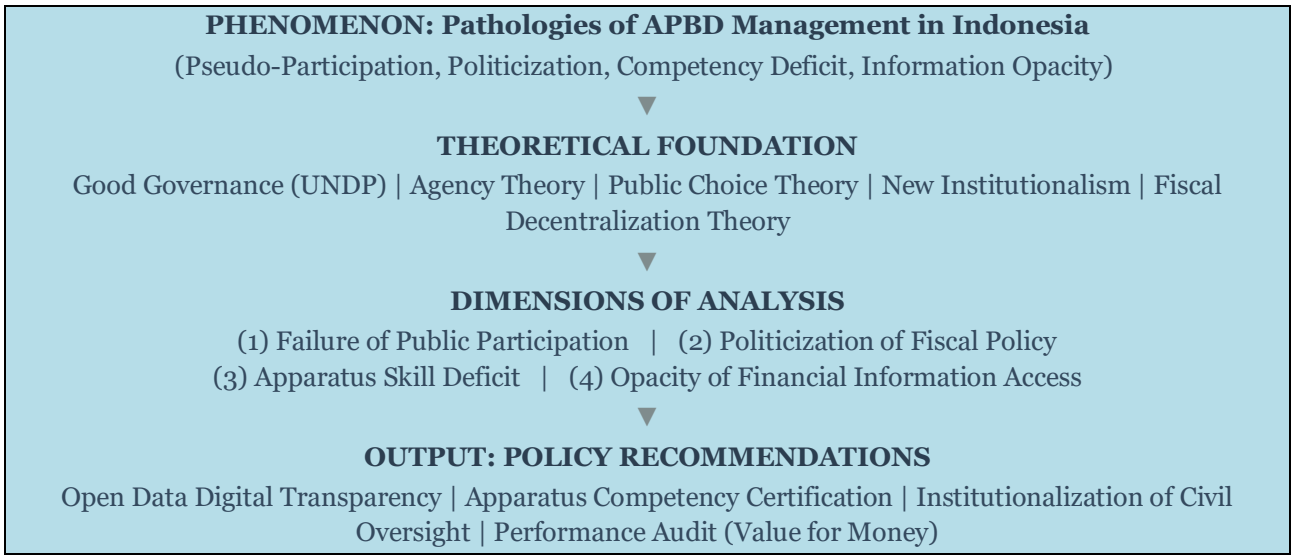


Figure 1. Research Framework. Source: Processed by authors (2026)

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