The Political, Institutional and Economic Determinants of Budget Forecast Errors and Their Consequences on Economic Growth: evidence from Indonesia

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Submission date: 06-Apr-2023 12:49PM (UTC+0700)
Submission ID: 2057323593
File name: Full_Paper_DEWI_Firoh_Irianing.docx (84.41K)
Word count: 6031
Character count: 34725

The Political, Institutional and Economic Determinants of Budget Forecast Errors and Their Consequences on Economic Growth: evidence from Indonesia

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Abstract: This Studt aims to examine the effect of the political coalition, political competition, amount of population, government complexity, excess of budget financing (SiLPA) and fiscal space on budget forecast errors. We also explore the consequence of the budget forecast errors on the economic growth in Indonesia.

The population of this study is all of local government in 2015. The amount of local government are 514. The writer took 197 local government from the population as the sample by using purposive sampling method. This study uses secondary data about executive and legislative profile from website of local government and General Election Commission (KPU), amount of population and growth domestic regional product from Central Bureau of Statistics Republic of Indonesia (BPS) and softcopy of local goverment financial statement from Indonesian Supreme Audit Institution (BPK RI). Research data analysis in this research using regression analysis with SPSS version 24 assistance.

The results show that political competition, amount of population, government complexity and fiscal space influence positively the budget forecast errors. The result also find that budget forecast error giving the negative consequence on economic growth. Errors in forecast budgets lead to welfare losses and weak economic growth achievements. We emphasize that quality of budget forecasting is important. The regional house of representative (DPRD) as supervisor have a duty to ensure that most of the budget is fully, timely and effectively utilized. To remedy this errors, DPRD need for increasing fiscal desentralization supervision, during the budget planning, formulation and implementation. In addition, DPRD also need to pay more attention to uncertainty and incumbency factor during budget forecasting.

Keywords: Budget Forecast Errors, Political Factor, Institutional Factor, Economic Factor, Economic Growth.

1. Background

The implementation of regional autonomy has brought a fundamental change in the government financial management. With the regional autonomy, local governments was given the greater authority to manage their financial resources according to the preferences of the community.The concept of regional autonomy is reflected by Local Government Budget or called APBD(Anggaran Pendapatan Belanja Daerah), which contains limited management of

public funds through regional revenues, expenditures, and activities (Halim and Bawono, 2011).

Forecasting is at the heart of APBD planning. This phase mainly about preparation of budget projections that will be achieved by the government. On the other hand, the process of regional budget forecast is not easy. Jones and Pendlebury (2010) argue that process is complex and consume some significant resources. Moreover, the literature looks at the determinants which are more likely to influence the budget forecasting. Both of economic and socio political simultaneously contribute to the complexity of APBD (Hariadi, Restianto and Bawono, 2010). Thus it can be said that budget planning in local governments is a long, complex and complicated process so it may caused errors in budget forecasting (Kusuma and Sutaryo, 2015).

Budget forecast errors are closely related to political factors. Political coalitions and political competition among them. Due to the lack of transparency and accountability in budgeting process makes the government as a subject to pressure of popularity. As a consequence, an incentive to present good figures is created even through unbiased forecasts, as a manner of masking bad results (Deus, 2015).Political coalitions is reflected by how much regional heads get support from political parties in the regional house of representative (Benitoet al., 2015). Moreover, the APBD is a financial plan that is discussed and agreed between the executive and legislative parties which are full of budget political manipulation (Aziz, 2016). The political budget manipulation can be found in the form of actions that passing a budget post in the APBD that is known to be not suitable with regulations. This phenomenon can be found in several cases in several regions in Indonesia who proves that the lack of transparency in budgeting allows the government to manipulate budget projections according to their own preferences.

Political competition is defined as the rivalry of politicians to get a position in controlling the government (Bardhan and Yang 2004). Political competition in Indonesia is reflected by the existence of regional head elections (Pilkada). Based on the Indonesian Survey Scale (SSI) data in the 2015 simultaneous local elections, It was 82,5 percent of incumbent regional head who is re-nominating in simultaneous elections. From that incumbents involved elections, showed that 63.2 percent of incumbents won. It showed that incumbent policymakers tend to behave opportunistically by manipulate fiscal policy in order to increase their probability of reelection (Aidt, Veiga and Veiga, 2011).

The APBD posts that are prone to be misused by the incumbents are grants and social assistance or called hibah dan bansos (bantuan social) (kpk.go.id, 2014). This is reinforced by several findings of corruption cases of bansos in several regions in Indonesia. It strengthened by the cycle of increasing the total budget allocation for grants and social assistance (Figure 1) shows that the expenditure of grants and social assistance of districts / cities in Indonesia tends to increase from the year leading up to the regional elections in 2013 and 2014 until the year of the elections. Incumbents often use grants and social assistance as populist programs to strengthen victory and attract the attention of voters.

Institutional factors also contribute to errors in projecting the budget. This is because the level of regional complexity in budgeting between one another is certainly different (Boukaria and Veiga, 2018). The complexity of the area then creates uncertainty in budgeting so that the government cannot be expected to make projections appropriately. Complexity is reflected by the variety of factors that influence the organization. This study uses amount of population and government complexticity as a proxy for institutional factors.which also influence the determination of the amount of uncertainty in budget projections. (Boukaria and Veiga, 2018).

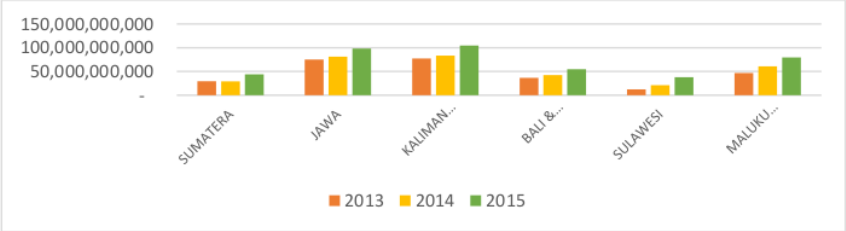

Figure 1 Increase in Discretionary Expenditures in District / City of Indonesia 2013-2015

Errors in budget forecast do not only depend on political and institutional factors but also economic factors. Fiscal space and SiLPA among them. The existence of a large regional autonomy allows local governments to be trapped in the use of the budget which tends to be wasteful and does not have an impact on the public interest at large (Fitrariau.org, 2015). Reinforced from the findings in the first semester of 2018 report conducted by the BPK, which revealed that as many as 10% of cases of regional losses or equivalent to 148 billion were overpayment cases in capital expenditure (BPK RI, 2018). The biggest problems of the case include the procurement of projects that are not in accordance with specifications, the procurement of excessive government apparatus facilities, etc.

The urgency of this study is indicated by increasing of errors in budget forecasting in some categories by the local head government often occurs approaching election year (Sjahrir, et al. 2013). Moreover, The failure of local government to forecast has critical impact that contribute to economic growth. This research contributes in terms of supporting the improvement of the quality of supervision in the stages of budgeting, including the projections of regional government budgets. So that it is necessary to do research again to test and analyze whether political, institutional and financial factors affect budget projections in local governments in Indonesia. Political factors that are proxied by political coalitions and political competition, institutional factors that are proxied by the population in each region and government complexticity and financial factors that use the fiscal space and SiLPA proxy. Based on the description of the background, this study is entitled **The Political, Institutional and Economic Determinants of Budget Forecast Errors and Their Consequences on Economic Growth: evidence from Indonesia.**

2. Theoritical Framework and Hypothesis

Agency theory is relevant to explain this research because there is agency problem between principals (community) and agents (local government). Agency problem exist because there are asymetric information. The agent has discretionary power in the form of knowing more knowledge and information than the principal so that it is often used by the agent to fulfill his self-interest. Asymmetry of information between the legislature and the executive offers the occurrence of opportunistic behavior in the process of planning as well as implementing public sector budget.It can lead to problems like errors in budget forecasting.

Political coalitions can be reflected with the support of political parties to regional head as executive. The support in the majority political parties in the regional house of representative (DPRD) causes the drafting and determination of the APBD can be accelerated due to the opportunist behavior. The greater political coalition, the greater errors in budget forecast occur. More supporters in the DPRD, as a consequence the executive will accomodateentrusted projects by political parties so that the APBD approval can run smoothly. The approval of the APBD is possible without clearly checking mechanism by the DPRD because the interests of the DPRD are already represented in the APBD (Fauziah, 2017).

Serritzlew (2005) stated that if the executive is supported by the majority of political parties in the legislature it often causes errors in projecting the budget. This indicated by the overspending rate which tends to be higher in budget. Goemmine et al. (2008), Lago Penas and Lago Penas (2008), Benito et al. (2015) also argue that the government with the support of a larger party is significantly less careful in forecasting. Whereas in Indonesia, Kusuma and Sutaryo (2015), Syahida (2016), and Widyastuti (2017) state that political support has a positive effect on budget projections. Based on the logical explanation above, the following hypotheses can be formulated:

H1: Political coalitions have a positive effect on budget forecast errors.

Agent use their strategic position to fulfill personal interests through corruption, bribery, and other sources. It is reflected by the incumbent regional head who used his position to manipulate budget policies in order to win the political competition. The higher instensity of political competition, the greater errors in budget forecast.The incumbent regional head will provide a populist programs such as grants and social assistance in order to attract the attention of voters. The implementation of various programs is often vulnerable to budget manipulation. Thus it has an impact on the emergence of errors in projecting the APBD.

Mayper et al. (1991) and Aidt *et al*. (2011) theoretically and empirically investigate the relationship between incentives to manipulate budgets and electoral competition. Indicated by increasing incumbent incentives in manipulating budget policies with electoral objectives. Boukaria and Veiga (2016, 2018) also argue that incumbents often manipulate certain budget posts to increase their chances of winning. This can be seen by the presence of higher expenditure and a decrease in tax rates so that it has a positive effect on the incumbent's popularity. In Indonesia, the study by Widyastuti (2017) explains that the period of the incumbent regional head has a positive effect on the errors in the budget forecast. Based on the description above, the following hypotheses can be formulated:

H2: Political competitions have a positive effect on budget forecast errors.

In the context of the public sector, the regional government as an agent will try to show its best performance. Therefore, various programs and services were prepared in accordance to fill the needs of the community. One of the main determinants of community needs is a component of the population.The greater the population, the higher the level of complexity of local governments in responding to community needs. In addition, with an increasingly large population, demands for basic services are increasingly numerous and diverse so that forecast difficulties become more complicated and caused errors in budget forecast.Benito et al. (2015) states that the larger of population causes overestimation on both sides of income and expenditure. With the large number of populations it causes inaccuracies in forecasts. Whereas Boukaria and Veiga (2018) found that the population had a positive effect in explaining the error rate of budget forecasts.

H3: Population have a positive effect on budget forecast errors.

A government's budget is the most important economic policy. A budget does not only contain planand amounts of money but also variety programs so it caused the complexity in budget preparation. The complexity of government also described by the number of work unit in each regions. Work units (OPD) are employees of the local government who are empowered to authorize financial management, especially on the use of budget in the region. By using the budget goods, they have to provide services to the community. The more complex the government, the more difficult to make an accurate budget (Boukaria and Veiga, 2016). Siregar and Susanti (2018) argue that the more complex the work unit the more difficult the budget preparation and the higher the budget forecast error. Due to the difficulties in allocating

priorities program in their buget. Based on the above argument a hypothesis is formulated as:

H4: Government complexticity have a positive effect on budget forecast errors.

In the context of the public sector, local governments as agents with existing fiscal space will try to create new breakthroughs in oder to boost their development equality. Thus programs often require large funding. With thus large funds, they are vulnerable to manipulate the budget, which causes waste of budget and does not affect the public interest.High fiscal space indicate the greater flexibility of local governments in allocating budgets. Thus, the greater flexibility can be used as a separate opportunity for local governments to misuse the budget, causing errors in budget forecast. Couture and Imbeau (2009) and Monika et al. (2015) state that the greater the space and capacity of transfers from country to region caused the greater budget variance. Supriyanto (2015) states that large fiscal space has a tendency to be corrupted. Therefore large fiscal space is vulnerable to make error in budget projections. Thus the hypothesis can be formulated as follows:

H5: Fiscal space have a positive effect on budget forecast errors.

One of the funding sources for the APBD is Excess of Budget Financing (SiLPA).SiLPA is the remainder of the previous year which became revenue in the current year that can be used to fund current year's activities. The form of use of SiLPA is to continue activities that have not been completed in the previous year and to finance new activities that are not budgeted in the pure APBD. This condition provides space for budget compilers to carry out opportunistic behavior in allocating the SiLPA. Considerable excess of SiLPA can indicate that the government is not right in budgeting regional budgets so that the excess budgeting should be used to finance several other activities that are useful for public service provision in the current year to be delayed. So that the previous year's SiLPA had an influence on the allocation of the next APBD expenditure. The higher the level of SiLPA, the greater the tendency for opportunistic behaviors, thus it has impact on budget forecast.Parwati (2015) andMegasari (2015)argue that he greater amount of SiLPA in APBD, the greater the budgeting opportunistic behavior. Based on the above argument the following hypothesis is formulated as follows:

H6: SILPA have a positive effect on budget forecast errors

A reliable and accurancy forecast on budget is very important to the economic growth. For instance, when the accuracy of budget forecast increases, the regional economy performs better (regional GDP increases). In addition, large budget forecasts errors issimply an indicator of general macroeconomic instability which is injurious to economic growth.This observation is relevant because it stimulates opportunistic behavior of the policymaker biasing budget forecasting in a way of creating illusory sources of budgetary revenues and expenditures.Rana and Wahid (2016), Navaratnam and Mayandy (2016), Sirtar and Susanti (2018) found statistically significant negative effect of budget deficit over economic growth. Based on the above argument the following hypothesis is formulated as follows:

H7: Budget forecast errors have a negative effect on economic growth

3. Research Metodology

Type of this research is a causative research which explains the influence of political coalition, political competition, population, government complexity, fiscal space and SiLPA on budget forecast errors. Also examine the effect of budgetary forecast errors on economic growth in Indonesia.The research data analysis technique uses regression analysis with the help of SPSS version 24.0. Empirical testing in this research uses the analysis model as follows:

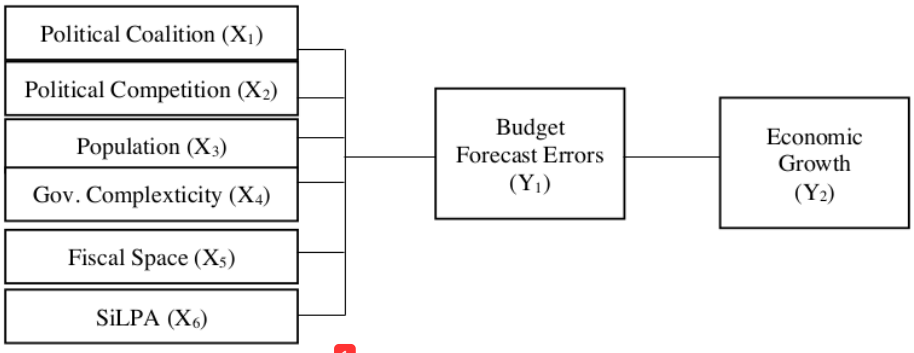

Figure 2 Research Model

The variables in this study include exogenous, mediation, and endogenous variables. The exogeneus variables consist of political coalition (X_1) is the number of supporting party legislative seats divided by the total number of legislative. Political competition (X_2) is a category where 1 for incumbent who won the electio and 0 otherwise. The poulation (X_3) and government complexity (X_4) is total amount of population and total number of work unit in each regions. While fiscal space (X_5) Fiscal Space is defined by a ratio of income which is free from earmarked programs or activities under certain purpose including employee and interest expensesand SiLPA(X_6) is the excess of previous budget. The mediating variable is budget forecast error (BFE) (Y_1). BFE is determined by two steps. First, findthe difference between budgeted revenues/spending from actual revenues/spending. Second, calculate the average difference between budget and actual amount for revenues and expenditures.MeanwhileEconomic growth (Y_2) is the change in Gross Regional Domestic Product.

The population of this study is all of local government in 2015. The amount of local government are 514. The writer took 197 local government from the population as the sample by using purposive sampling method. The procedure for selecting samples is presented in table 1.

Table 1. Procedure of selecting sample

Number	Criteria	Total
1	District/city government in 2015 in Indonesia	514
2	District/city governments that do not organise the 2015 election	(283)
3	District/city governments with regional heads do notre-nominate the 2015 election	(34)
4	District/city governments that do not present data for variable measurements	(0)
Total Sample		**197**

This study uses secondary data about executive and legislative profile from website of local government and General Election Commission (KPU), amount of population and growth

domestic regional product from Central Bureau of Statistics Republic (BPS) and softcopy of local goverment financial statement from Indonesian Supreme Audit Institution (BPK RI).

4. Data Analysis And Discussions

4.1 Data Analysis

4.1.1 Statistic Descriptive

From the results of descriptive statistics, it can be seen that the budget forecast errors has an average value of 0,085. The average of political coalitions 0,36981 (37 percent. Shows that the support of the majority of the legislative seats towards regional heads in the district / city government of Indonesia is categorized low. While for the political competition variable showed that the number of district / city governments with the incumbent won there were 125 districts/cities or 63.5 percent of the total. It can be concluded that the majority of incumbents won the constellation of regional head elections in 2015.Based on the results of data processing, the minimum value of the population is 18.186 owned by Supiori Regency and the maximum value is 3.534.114 owned by Bandung Regency. The minimum value of number OPD is 19 units and the maximum value is 182 units. SiLPA has average value 0,14 and standar deviation 1,51. Fiscal space has average value 0,35 (35 percent). Meanwhile, economic growth has an average value of 5.86 percent with a range from -7,08 percent to 107,07 percent.

4.1.2 Classical Assumption Test

4.1.2.1 Normality Test

Normality test aims to test whether the regression model, the independent variables and the dependent variable has a normal distribution or not. Testing for normality in this research is by using the Kolmogorov-Smirnov Test. The Kolmogorov-Smirnov test results demonstrate the value of the significance of model 1 and 2 is 0,2 is greater than α-value (0.05). It can be concluded that the data were normally distributed residuals.

4.1.2.2 Multicollinearity Test

This test aims to test whether the regression model occurs or there is disimilitude of variance of residuals from one observation to another observation. To detect the presence of multicollinearity can be seen from the Inflaction Variance Factor (VIF) and Tolerance.Based on the results table multicollinearity test, it can be seen that in model 1 and 2 has tolerance values > 0.1 and VIF <10 so that it can be concluded that there is no multicollinearity between independent variables in the regression model.

4.1.2.3 Heterocedasticity Test

This test aims to test whether the regression model occurs or there is inequality of variance of residuals from one observation to another observation. Testing for heterocedasticity in this research is by using the glejser method. From the test results it was found that each independent variable in model 1 and 2 has a probability value of more than greater than 0.05 so it was concluded that there were no symptoms of heterocedasticity in the data.

4.1.3 Regression Equations

The analysis technique used in this research is simple and multiple linear regression. Based on the results of the regression analysis obtained multiple linear regression equation as follows:

Model 1 : BFE = 0,021 + 0,054 KOALISI + 0,095KOMPETISI + 0,086 POPULASI + 0,003

OPD + 0,002 SILPA+ 0,158 FISKAL + ε

Model 2 : GDP = 0,680 - 0,358 BFE + ε

4.1.4 Test of Goodness Of Fit

It appears that the value of F calculated on a research model 1 and 2 is greater than F table and significance value less than 0.05. This shows that regression model can be used regression and into the category of fit.

4.1.6 Hypothesis Test

Table 2. Hypothesis Result

	Hypothesis	Coefficients	Sig	Findings
H1	KOAL => BFE	0,054	0,780	Non-significant
H2	KOMP => BFE	0,095	0,015	Significant
H3	POP => BFE	0,086	0,027	Significant
H4	OPD => BFE	0,003	0,038	Significant
H5	FISKAL => BFE	0,002	0,444	Non-significant
H6	SILPA => BFE	0,158	0,000	Significant
H7	BFE => GDP	-0,358	0,000	Significant

The results of the analysis using alpha (α) of 0.05 (one-sided test). Based on the testing of the t test of the political coalition variable (X_1) and SiLPA (X_5) partially does not affect the error of budget projections. While the variable political competition (X_2), population (X_3) government complexity (X_4) and fiscal space (X_6) partially have a positive effect on budget forecast errors (Y_1). While Budget forecast errors partially have a negative effect on economic growth (Y_2).

4.2 DISCUSSIONS

4.2.1 Effects of Political Coalitions on Budget Forecast Errors

The results of the research analysis shown in Figure 3 show that the distribution of the percentage of political support is under 50 percent in each region. Overall, it shows that the support of the legislative majority for regional heads is only 37 percent in district/city governments. It causes of the lack of evidence of the proposed hypothesis. This is because both legislative members in the coalition and non-coalition parties have the same ambitions and motivations interest. It is proven by the number of corruption cases carried out by regional heads in the planning and ratification of local budgets that not only in coalition parties but also non-coalition parties. Thus, we can said that the budget projection error still occurs.

The high fragmentation of political parties in the legislative also contributes to the political coalition variables that have no effect on budget forecasts. This was noted by the distribution of party support that was minimum. This is shown in Figure 4 which shows the percentage proportion of each party is below 50 percent. With high fragmentation, discussions in the APBD often lead to deadlock conflicts between the executive and legislative. To reduce the deadlock in decision making on the APBD, the executive often negotiates in the form of corruption and bribery to facilitate the discussion of the APBD. This weak monitoring system causes projection errors to occur.

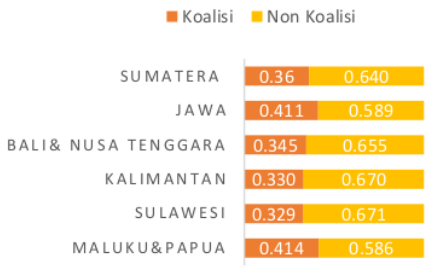

Figure 3 Coalition and Non-Coalition Proportion in DPRD

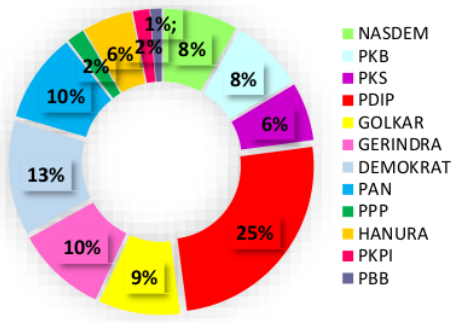

Figure 4 Political Parties Proportion in DPRD

In line with the results of the research by Bischoff and Gohout (2006, 2010), Boukaria and Veiga (2016), Fauziah (2017) and Putri (2018) which stated that the mechanism of accountability and supervision between the executive and legislative made political coalition did not affect forecasts errors.

4.2.2 Effect of Political Competition on Budget Forecast Errors

The results of the t test on political competition variables showed that the political competition variable had a positive effect on budget projections errors. Based on the results obtained that the majority of incumbents won regional head elections which amounted to 63.5 percent. This reinforces the statement that the incumbent used his strategic position and information to manipulate the budget. With the higher competitive political environment, the incumbents became more responsive to the needs of voters. It shows that the incumbent seeks to provide a variety of populist programs including social assistance and grants with the aim to attract sympathy and win constituency elections. The provision of these various programs is often vulnerable to budget manipulation, so the budget projections are even greater in the regional government.In line with Aidt et al. (2011) stated that when the incumbent face tight elections, they tend to manipulate the budget so that they can be reelected. The incumbents tried to appear popular by overestimating the performance achieved even though by manipulating budget projections (Meyper et al, 1991). This is indicated by overspending for programs that have a positive impact on incumbent popularity (Boukaria and Veiga, 2016&2018).

4.2.3 Effect of Population on Budget Forecast Errors

Based on the partial test that has been carried out, it can be concluded that the greater the population, the greater of error in budget forecast. With the greater number of residents, the more complex in determining the budget forecast need. This is due to the increasingly complex and diverse service needs of the community that must be achieved. Such complexity causes uncertainty and difficulty in formulating budget policy formulations causing errors in budget forecast. Due to the uncertainty of complex community needs, they tend to make mistakes in forecast the budget.This finding reinforces the research conducted by Goemmine et al. (2008), Boukaria and Veiga (2018), Benito et al. (2015) which states that complexity with a large population tends to cause errors in estimating the budget.

4.2.4 Effect of Government Complexticity on Budget Forecast Errors

Based on the partial test that has been carried out, it can be concluded that the more complex the government, the greater of error in budget forecast. The number of work units describe the numb of functions that are the priority of regional governments in developing regions. It caused the more complex the preparation of the budget. In line with Siregar and Susanti (2018) Many work units indicates the more functional differentiation in local governments, the more ideas, information and innovations in allocating their budget. The more bussines that become a priority of local government, the more complex the government carries out its activities, it will be more difficult to allocate the budget in their government which caused errorss in budget forecast.

4.2.5 Effect of Fiscal Space on Budget Forecast Errors

The results of the t test showed that the large fiscal space causes the greater errors in budget forecasts. The analysis results stated that the average ratio of fiscal space is 35 percent. It showed that all sample districts /cities have very high financial flexibility to be used to finance regional expenditure needs. The magnitude of the flexibility that the government has in allocating budgets tends to cause problems, namely with regard to opportunist behavior of political actors for their personal and group interests. With fiscal space owned by the local government, it will try to manipulate the budget by creating a breakthrough in new programs that require large funds. These large funds are then vulnerable to being misused, causing errors in projecting the budget. Couture and Imbeau (2009) and Monika et al. (2015) stated that the more budget allocations from the center to the regions, the greater the budget deviation due to the lack of supervision of decentralization. Supriyanto (2015) states that fiscal space is often used to be corrupted and manipulated.

4.2.6 Effect of SiLPA on Budget Forecast Errors

Based on the emprical result showed that SiLPA variabel doesnot affect the budget forecast errrors.The analysis results stated that the average SiLPA is only 14 percent. It showed that budgeting ability does not vary significantly by SiLPA. The empirical evidence of research shows that whether or not there is a SiLPA, opportunistic behaviour still occur because there are many potential post that can be misused by regional head. Low or high level of SiLPA both faced with budget forecasting errors. In line with Fitriyani (2017) and Sugino (2018) who argue that SiLPA does not have impact on opportunistic behaviour. Unlikely Parwati (2015), Megasari (2015) state that the higher level of SiLPA, the more opportunistic in district/city.

4.2.7 Effect of Budget Forecast Errors on Economic Growth

Empirical evidence suggests that budget forecasts errors have a negative impact on economic growth. This finding is in line with Rana and Wahid (2016), and Navaratnam and Mayandy (2016), Siregar and Susanti (2018) that found statistically significant negative effect

of budget forecasts errors on economic growth. Errors in forecast budgets lead to welfare losses and weak economic growth achievements.When the government runs budget forecast errors, it is revenue and spending more than it is taking in. It lead to shortcuts in some of the provision of public goods, with a negative impact on local welfare.

5. CONCLUSION AND IMPLICATIONS

This empirical finding has important result. The results show that political competition, population, government complexticity and fiscal space positively influence the budget forecast errors. The result also find that budget forecast error giving the negative consequence on economic growth. Errors in forecast budgets lead to welfare losses and weak economic growth achievements.

Errors in budget forecasts tend to increase when the year of political competition is near. This is indicated by the incumbents utilizing their positions by manipulating their fiscal space. By using provision of grant programs and social assistance with the aim to increase the probability of re-election. This is because the incumbents tend to be responsive to the needs of voters at the time of the election. One component that determines these needs is the population. If the incumbent is able to achieve the needs of the population, the population as voters will be satisfied with the incumbent's performance and the probability of re election will be high. But unfortunately, the complexity factor in determining a large and various population and work units needs makes it difficult to determine the accurate projections. Thus, budget forecast errors occur.

The results of this study are particularly useful for the DPRD in the context of monitoring the decentralization of regional government finances. The regional house of representative (DPRD) as supervisor have a duty to ensure that most of the budget is fully, timely and effectively utilized. To remedy this errors, DPRD need for increasing fiscal desentralization supervision, during the budget planning, formulation and implementation. In addition, DPRD also need to pay more attention to uncertainty and incumbency factor during budget forecasting.Therefore, it is expected that budget projection errors in the years ahead can be avoided and minimized.

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