

**UNIVERSITI TEKNOLOGI MARA**

**FACTORS INFLUENCING THE  
ACCOUNTABILITY OF  
BUDGETARY DECISION MAKING  
BY LEGISLATURE: CASE STUDY  
OF LOCAL GOVERNMENT IN  
INDONESIA**

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## ABSTRACT

The granting of local autonomy through fiscal decentralisation and local authority to Indonesian local governments based on Law Number 23 of 2014 is expected to provide flexibility to regions in carrying out local development to improve people's welfare. Improving the community's welfare can only be achieved if the local government has good financial performance because, without financial support, the development and implementation of public service activities to achieve increased public welfare will not be able to run smoothly. However, the facts in Indonesia show that the welfare of the people as measured by the Human Development Index (HDI) for all Local Governments in Indonesia increases an average by no more than 1% every year. In comparison, the realisation of regency or municipality revenue on average increases by more than 10% every year. This means that the financial growth of regency/municipality governments in Indonesia is not accompanied by an increase in community welfare. A survey report shows public satisfaction with the legislature in carrying out its supervisory function is only 36%, making laws 35%, budgeting 33%, and channeling public aspirations by 29%. Much research has been done related to the budgeting process in the government sector, but it has not been written from the point of view of identifying accountability the legislature's role in the budgeting process. This thesis addresses this gap by analyzing budget decisions by the legislature within the scope of the local budgeting cycle. This study first aims to understand the accountability in budgetary decision-making process by the legislature in Indonesian local government. Second, to explain the factors that influence the legislature in setting local revenues among the local government budgetary process, and third, to identify factors considered by the legislature in deciding local program priorities and expenditures. This research uses a case study approach based on selected three local governments in Indonesia representing rich, medium and low fiscal capacity; Banjar Municipality in West Java Province, Kutai Kartanegara Regency in East Kalimantan, and Purworejo Regency in Central Java Province. The data collection method for this research is in-depth interviews with 19 budgeting actors in three local governments. In addition, this study also examine planning and budgeting documents to understand the budgeting and decision-making process of local governments. The findings revealed that institutional weaknesses in the form of norms and rules for legislatures in making local budget decisions questionable. The decisions made are often heavily influenced by the presence of legislature leaders, interest groups, parties, and regions of origin of the legislature members as well as relevant data and information. In this study, it was also found that decision-making on local, expenditures and financing in budget discussion forums in the legislature tends to be too political and lacks technical budgeting issues based on the value for money principle. Finally, this study provides a basis for strengthening institutional arrangements by central government authorities regarding the legislature's role in making budgetary decisions based on the principles of transparency and accountability.

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