CHAPTER V
CONCLUSION

5.1 Conclusion

This research aims to find the political and socio-economic factors affecting budget deviations. By analyzing 1172 unbalanced panel data of 393 cities and regencies from 2010-2015, the regression result shows empirical evidence on factors inducing budget deviations in local governments. From seven factors proposed in hypotheses, only electoral cycle affecting budget deviation in general. The political coalition, political competition, political alignment, population, IPC, and unemployment rate do not affect budget deviation. However, from the separated test on revenue and expenditure deviation, it is proven that three factors affect both revenue and expenditure deviation, they are the electoral cycle, population, and income per capita, while political alignment and unemployment rate only shows an effect on expenditure deviation. From the separated test on cities and regencies, it is found that only electoral cycle affects budget deviation in city regions, while in regency regions, electoral cycle and population seem to affect budget deviation.

5.2 Limitations

Because of the limited data, the post-election years and incumbency are not included in this research. The reason is mainly that the post-election year data related to financial reports for the election year 2015 is not available yet. Since the
data of 2015 post election year can not be used, in order to be consistent, the data of 2013 post election year is not used either.

5.3 Recommendations

Learning from the limitations of this research, future studies should consider including the post-election years and incumbency effect when the data is available, in order to get a better result in capturing the intention of mayors/regents who are running for reelection.

5.4 Implications

The result of this research will be benefiting especially to the regional budgeting team (TAPD) and the internal auditors of local governments. The regional budgeting team and the local inspectorates can make use of the indicators found in this research to prevent intentional budget deviations. In order to minimize intentional budget deviation, during the budget formulation and implementation, the regional budgeting team and the local inspectorates need to pay more attention to the electoral cycle, mostly when the election year is near.