

Budgetary Slack and Entrepreneurial Spirit: A Test of Government Policy Consistency towards Its Campaigned Programs

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The budgetary slack is a common figure in any public sectors, however, as the excess of requirements for resources or understatement of productive capability, the difference of those magnitudes indicates the disability of government officials to take into account all chances and risks in the future. This paper aims at analyzing the variance of expenditure in the case of Jakarta province over the period of 2004-2007. Based on the statistical analysis, the study reveals that there are significantly budgetary slacks. In context of entrepreneurship, the improvement of the entrepreneurial spirit in the public sector is necessary to minimize budgetary slack.

JEL Codes: E62, H61, H62, H72, and L62

1. Introduction

Budgetary institutions and the budgetary process fulfill several important functions. These include setting priorities in the allocation of public resources; planning to achieve policy goals; establishing financial control over inputs to ensure compliance with rules; managing operations with fiscal prudence, efficiency, and integrity; and ensuring accountability to taxpayers. The effectiveness of budgetary institutions has been recognized in the economics and political science literature as contributing to improved fiscal and economic outcomes. In developing countries, like in Southeast Asian, budgetary processes and institutions are not yet well enough developed to perform the above-mentioned functions adequately; instead, they provide work as means of legalistic controls (Shah, 2007). This condition also triggers the common pool problem of public finances, in which politicians spend money drawn from a general tax fund on public policies targeted at individual groups in society, leads to excessive levels of public spending. Putting the argument into a dynamic context, one can show that it also leads to excessive deficits and government debts (see, for example, Milesi-Ferretti, 2004; Abdullah, 2004; Velasco, 2000; von Hagen and Harden, 1995).

Related to the dynamics of excessive of public spending or excessive deficit, it is interesting to explore deeper the consequences of this difference between budget and its realization, or budgetary slack, especially in public service sector. Hopwood (1972) argued that the existence of 'budgetary slack' could be viewed as possibly a bad thing and it potentially diminished the quality of comparing actual performance to budgeted data, as it created inefficiency and wastage (Yuen, 2004). However, 'budgetary slack' could also be viewed as possibly a good thing in that it can increase flexibility when managers are presented with unexpected potential opportunities (Marginson, 1999; Marginson & Ogden, 2005; Samma, 2009).

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Abdullah, Warokka & Kuncoro

In regarding to budgetary slack management, the focus of earlier researches was on the private sector (Merchant, 1985; Dunk and Perera, 1997; Marginson, 1999; Otley and Pollanen, 2000; Van der Stede, 2001). Despite the efforts of two decades of public sector reforms whereby the public and private sectors became quite similar, there still remained a characteristic difference. The public sector maintained a richer culture than the private sector through the nature of government ownership and the focus of its culture on public interest. Therefore, in their seminal work, Osborne and Gaebler (1992) asserted that government should fundamentally transform their systems and organizations to dramatically increase their effectiveness, efficiency, adaptability, and capacity to innovate, or in other words, to be having more entrepreneurial spirit in managing the people.

To measure the effectiveness local government in managing and providing public services to people in context of entrepreneurial spirit, this paper tries to see the relation between budgetary slack and government entrepreneurial spirit, by analyzing the tendency of realized public spending (expenditure budget) and its gap to fulfill the objectives of budget, which has been determined before. A budget is a financial plan to control future operations and results. It is expressed in numbers, such as dollars, units, pounds, hours, manpower, and so on. It is needed to operate effectively and efficiently. Budgeting, when used effectively, is a technique resulting in systematic, productive management. Therefore, effective budgeting, whether is in planning or execution, reflects effective entrepreneurial spirit.

This paper is organized in the following manner. First, background on budgetary slack is provided, including the basic concept of government's entrepreneurial spirit, new public management, and new public service that underline the need to reform traditional budgeting approach towards NPM budgeting approach. Research hypotheses are then proposed regarding the presence of budgetary slack in Jakarta province public expenditure budget for the period 2004-2007. The methodology and model, including discussion of sampling frame and measures, are then discussed. The slack of inter-semester expenditure budget is then analyzed, and the results of two ways ANOVA test of budget slacks are provided. Finally, implications for budgetary slack and government entrepreneurial spirit, and future research on public management related to entrepreneurial-budget approach are presented.

2. Literature Review

Budgeting, in public sector administration field, has been described as being 'at the core of the financial process within a local authority' (Hale and Capaldi, 2003). Public sector budgeting is a complicated process. However, in practice, Public sector budget would be informed to the public for criticism and discussion to get input. It is an instrument of accountability for the public funds management and control of programs implementation, which are funded by public money (Mardiasmo, 2002). In practice, the changes on the pre-set budget plan are commonly done (Henrika and Mardiasmo, 2002). These changes are one of the causes of budgetary slack.

The ability to estimate that will happen in the future becomes an important consideration in preparing the budget. It requires internal and external situation should be under control and accommodated properly. The ability to see far ahead of this kind of situation will determine the accuracy of the budget and its realization. The difference between the budget and the realization (budgetary slack), therefore, will be an indicator of "success" in preparing the budget.

Abdullah, Warokka & Kuncoro

From the behavioral perspective, the existence of the budget gap or budgetary slack is an indication of the lack or weakness of the public sector's entrepreneurial spirit. Osborne and Gaebler (1992) argued that entrepreneurial government should learn to measure the outcomes for what they spend. It refers to J. B. Say's definition on entrepreneur that "shifts economic resources out of an area of lower and into an area of higher productivity and greater yield" (Osborne and Gaebler, 1992). In other words, it uses resources in new ways to maximize productivity and effectiveness. Accountability must shift from inputs, such as line items, to outcomes and results. In a broader scale, budgetary slack carries the consequences of inefficiency for all parties (Stiglitz, 1988).

Government's entrepreneurial spirit means that there must be a transformation from the bureaucratic governance model toward the entrepreneurship one, when public sources are becoming rare. Osborne and Gaebler (1992) proposed 10 principles to create government's entrepreneurial spirit:

1. Steer rather than row to get catalytic government.
2. Empower rather than serve to get community-owned government.
3. Inject competition into service delivery to get competitive government.
4. Transform rule-driven organizations to get mission-driven government.
5. Fund outcomes, not inputs, to get results-oriented government.
6. Meet the needs of the customer, not the bureaucracy, to get customer-driven government.
7. Earn rather than spend to get enterprising government.
8. Prevent rather than cure to get anticipatory government.
9. Move from hierarchy to participation and teamwork to get decentralized government.
10. Leverage change through the market to get market-oriented government.

Those principles are intended to be a road map for any government institution and leader who seeks more effective programs and policies. They are intended to create entrepreneurial government, which are catalytic, competitive, mission driven, results oriented, customer driven, and enterprising. Decentralization means empowering employees, pushing decisions down from one level of government to another. Community-owned government pushes control out of bureaucracy and into the community. Anticipatory government stresses prevention rather than cure. Finally, market-driven government explores the idea of changing markets rather than always using public programs to solve problems.

Previous studies, which had been done in developed countries, such as Rubin (1987), Sutter and Wilson (1990), Staple and Rubin (1997), and Dougherty et al. (2003), revealed that budgetary slack was related to politic or economic phenomena, which was considered as the source of fiscal stress cause. They concluded that external factors, which were out of local government's control, played important role in determining the amount of budgetary slack.

Romer and Rosenthal (1979), for example, argued that the difference in the local budget was the result of an imbalance of power between society and bureaucrats in public decision making. They called it as reversion level, which was based on direct voting against government spending on goods and certain public services. According to Romer and Rosenthal (1979), with its information superiority, bureaucrats would be able to influence the outcome of the majority of public decision making through agenda control.

Abdullah, Warokka & Kuncoro

This bureaucratic model, which produced big budget gap or budgetary slack, had long been criticized (Cooper, 1998; Hughes, 1994). Some paradigms emerged as a challenger, such as the NPM (New Public Management) or reinventing government and more recently NPS (New Public Service) (Denhart and Denhart, 2003). Both paradigms were based on experiences in America, Australia, New Zealand in recent decades (Osborne and Gaebler, 1992). Based on these paradigms, the government was encouraged to be more flexible in setting goals and clear organizational targets, thus it allowed measuring the results.

According to the idea of NPM and NPS, the government is also expected to conduct decentralized and market-oriented policies, which is also to involve the private sectors in formulating and implementing the policies (Hood, 1995). In addition, the NPM idea is also seen as an attempt to use the private sector and business approaches to determine the public service sector's policies (Denhart and Denhart, 2003). Osborne and Gaebler (1992) argued that there should be a transformation from a bureaucratic model toward an entrepreneurship model, which was derived from recent situation that many governments were facing a serious problem, i.e. public resources were increasingly scarce.

This entrepreneurial government paradigm required that public service budgeting should also change from traditional approach, which stressed on line-item and incrementalism method and mainly based on the amount of prior budget realization, toward NPM approach, which based on results or performance achievement. It would change from centralized, specified, yearly based, and gross-oriented budgeting principles into performance-based budgeting, which reflected the efficiency and effectiveness of public services or the public interest oriented budgeting.

Table 1: Comparison of Traditional Budgeting Approach and NPM Budgeting Approach

Traditional Budgeting Approach	NPM Budgeting Approach
Centralized	Decentralized & devolved management
Input oriented	Input, output and outcome (value for money) oriented
Not related to long-term planning	Comprehensive and related to long-term planning
Line-item and incrementalism	Based on goals and target
Rigid department	Cross department
Using classical tactics: Vote accounting	Zero-Based Budgeting, Planning Programming Budgeting System
Gross budgeting principles	Systematic and rational
Yearly based budgeting	Bottom-up budgeting

Source: Mardiasmo (2002)

Regional Budget or Local Government Revenues and Expenditures are the main policy instrument for local government. As a policy instrument, budget occupies a central position in developing the capability and effectiveness of local government. In NPM approach, there are five pillars in formulating, implementing, and auditing the local government budgeting, i.e. accountability, value for money, probity, transparency, and control. Accountability is the principle of public accountability, which means that the budgeting process from the planning, preparation and implementation should actually be reported and accountable to parliament and the public. Value for money means the values of economic, efficiency, and effectiveness are applied in the budgeting process. Probity means local government officers must have high integrity and honesty, so the opportunities for corruption can be minimized. Transparency is the openness of government in making local financial policies so it can be known and monitored by the

Abdullah, Warokka & Kuncoro

parliament and the public. Control means any variances (differences) of revenues and expenditures in government local budget must be analyzed and investigated immediately in order to find the possible causes of variances and take anticipated actions in the future.

Prior studies in Indonesia revealed that local wisdom and philosophy were good to be the guideline in budgeting formulation (Suryani, 2004). The budget's goals characteristics also significantly influenced on attitude and behavior of government local staff (Munawar, 2006; Rahayu, Ludigdo, and Affandy, 2007). Falikhatun (2007) argued that budgetary slack in Indonesian non government organizations was determined by information assymetry and group cohesiveness. However, these prior studies were viewed as case-based phenomenon, qualitative analysis, and micro coverage in explaining the obstacles of budgeting preparation that leads to budgetary slack and its conclusions could not be generalized. On the other side, some empirical studies used positivist approaches to analyze the budgetary slack in Indonesia. These studies focused on budgeting variation, more quantitative-based analysis, and macro coverage, therefore, its conclusions could be more generalized (Halim, 2001). In his study, Halim (2001) found that government policy, such as Indonesian Government Act No. 18/1997 on local tax and levy, had created the volatility in the local government revenue, which in turn brought uncertainty on the budget amount that could be spent. This revenue uncertainty had caused a greater possibility of revenue and expenditure shifting from its previously planned targets.

These prior studies demonstrated several important points. First, the causes of budget variances were considered as exogenous, such as changes in economic conditions, political, and central government policy. Secondly, the magnitude of budget variances varied depending on local economic capacity to respond those exogenous changes. Thirdly, the amount of budget variance was highly correlated with the performance of local government finance. Therefore, it was possible to study deeper the budgetary slack in context of evaluating the Indonesian entrepreneurial government paradigm. To our best knowledge, this possibility is never studied in any prior studies that investigate the relationship between budgetary slack and government public policy, especially related to the test of government policy consistency towards its campaigned programs. By providing new empirical findings of budgetary slacks practices in public expenditure budget, we strive to explore the government behavior on its policies' implementation and provide a new base for better public management.

This paper is different from previous studies in some aspects. First, it evaluates the Special Province of Jakarta, the capital of Indonesia, which is known as the richest province in Indonesia. The budget variation analysis of Jakarta province will provide a comparable study with other similar provinces or regions. Secondly, the time-period study is 2004-2007, which is considered as the most stable period in Indonesia during the last decade and is known as the least economic and politic changes period. Finally, it analyzes the semiannual and inter-account budget variance. Therefore, the analysis of budget variance will more focus on internal factors.

4. Methodology and Model

To analyse the slack of inter-semester expenditure budget, it is used a paired mean difference that is used when comparing two sets of measurements to assess whether their population means differ. The study will also use analysis of variance (ANOVA) to evaluate the amount of inter-semester and inter-account budgetary slack. It is used to investigate whether there is mean difference among three or more population groups. In this study is

Abdullah, Warokka & Kuncoro

used two ways ANOVA, because it will analyse two factors (inter-semester and inter-account budget).

Variance analysis is the squared differences of values and its averages, which could be derived from the differences of total average and column or row average. First variance is sum of square total (SST). Second variances are sum of square columns (SSC) and sum of square rows (SSR). To get SST, the differences of each values and its total mean value (μ_t) are squared.

$$SST = \sum [X_i - \mu_t]^2 \quad \dots (1)$$

To get SSC, the differences of each column values and its mean on that column (μ_c) and the same logic is applied to get SSR.

$$SSC = \sum [X_i - \mu_c]^2 ; SSR = \sum [X_i - \mu_r]^2 \quad \dots (2)$$

Therefore, sum of square error (SEE) is the rest of two variances gotten.

$$SSE = SST - SSC - SSR \quad \dots (3)$$

Each variance values must be corrected by its degree of freedom. SST values are divided by N-1, SSC values are divided by C-1, and SSR values are divided by R-1, and SSE values are divided by [(C-1)x(R-1)]. In this stage, ANOVA is run by comparing column and row variances to undefined variances:

$$F\text{-statistic (1)} = \frac{SSC/(C-1)}{SSE / [(C-1) \times (R-1)]} ; F\text{-statistic (2)} = \frac{SSR/(R-1)}{SSE / [(C-1) \times (R-1)]} \quad \dots (4)$$

N = number of data; C = number of columns; R = number of rows

Those statistical methods are applied to Semi Annual Budget Report during 2004-2007 periods, with focus to the budgetary slack of direct and indirect expenditures accounts. The direct expenditure accounts consist of 14 item, which are grouped into three accounts and indirect expenditure accounts consist of 75 items, which are grouped into eight accounts (see Table 2). This grouping follows the Ministry of Internal Affairs Decree No. 13/2006 that regulates public expenditures accounts for province, regency, and municipal budget and fiscal report. The decree itself was a product of new public management program that is intended to simplify the number of government financial accounts and harmonize it with the up-to-date best practices of public expenditure management. By adopting this new decree, this study will produce better model of public policy analysis that is never done yet in prior empirical studies in Indonesia.

Abdullah, Warokka & Kuncoro

Table 2: Direct and Indirect Expenditure Accounts

No.	Direct Expenditure Account	No.	Indirect Expenditure Accounts
1	Local Staff Expenditure	1	Local Staff Expenditure
2	Goods and Service Expenditure	2	Interest Expenditure
3	Capital Expenditure	3	Subsidy Expenditure
		4	Grant Expenditure
		5	Social Support Expenditure
		6	Profit Sharing Expenditure
		7	Financial Assistance Expenditure
		8	Unpredictable Cost Expenditure

Source: Appendix A.VIII Ministry of Internal Affairs Decree No. 13/2006, 15 May 2006

The budgetary slack is presented in relative form, because it is more realistic if we want to compare inter-accounts budget.

$$\text{Variance} = \frac{\text{Realization}}{\text{Budget}} \times 100 \quad \dots (5)$$

Based on this formula, the accuracy of budget variance is indicated by a score of 100. If the budget realization were less than what has been targeted before, the variance score would be indicated less than 100. Meanwhile, if the budget realization exceeds the budgeted figures, the variance score will be more than 100. Therefore, this study just uses data of the realization of expenditure accounts, which have been budgeted. If there is realization on expenditure accounts but this is not budgeted previously, it will not be included in the analysis.

In this study, we used the Special Province of Jakarta's Semi Annual Budget due to its characteristics, such as one of the rich provinces in Indonesia, which it could represent the population, i.e. Indonesian rich provinces, and be compared for further study purpose. Meanwhile, we used the time period of 2004-2007 based on the observation results that considered the period as the most stable one in Indonesia during the last decade, supported by conducive democratic environment, and was also known as the least economic and politic changes period. The government of Special Province of Jakarta also provided us the most updated and completed data needed, compared with other similar provinces, which allowed us a sufficient base for statistical analysis.

5. Findings

This study also applied two concepts; first, it referred to the pure budget (definition A). Second concept referred to dynamic revised budget (definition B). In Table 3, according to definition A, for the last four years, mean difference of direct expenditure budget was a significant decreasing. Generally, mean difference of direct expenditure budget reached 107 percent. It meant in one year averagely the targeted budget could meet the realization more than seven percent. A different pattern happened to definition B, which revealed more realistic realization of direct expenditure than the targeted budget. The pattern of direct expenditure was closer to the figures that had been determined before or in other words, there were less budgetary slacks.

Abdullah, Warokka & Kuncoro

**Table 3: Descriptive Statistics of Direct Expenditure Budget Variance
Special Province of Jakarta (2004-2007)**

Budget Variance	Year	2004	2005	2006	2007	Average
Definition A	Mean	102.21	113.76	112.05	103.45	107.8675
	Max	208.36	195.12	492.65	220.92	
	Min	8.36	19.70	9.22	5.14	
	Median	81.08	119.19	94.76	106.38	
	Standard Deviation	66.51	58.19	95.57	62.84	
Definition B	Mean	97.57	113.14	96.91	103.45	102.7675
	Max	178.67	195.12	197.59	220.92	
	Min	6.57	24.75	2.51	5.14	
	Median	81.08	119.19	94.76	106.38	
	Standard Deviation	62.66	57.10	62.22	62.84	

Source: Government of Special Province of Jakarta

Mean difference of expenditure budget for the dynamic revised budget was smaller than the pure budget one. It revealed that the amount of budgetary slack was relatively smaller after having revised in the dynamic revised budget than budgetary slack in the pure budget. Logically, this situation happened because the revision was done after taking consideration on certain changes in implementation phase; therefore, budgetary slack became smaller.

In Table 4, mean difference of indirect expenditure budget revealed the same pattern, i.e. a decreasing trend. Compared to direct expenditure budget, the differences between indirect expenditure budget and its realization were more variety. It was shown by its maximum values and standard deviations that were bigger than direct expenditure budget. Based on this descriptive statistics, it guides us to intuitively conclusion that variability of budgetary slacks is potentially happened in the amount of indirect expenditure budget relatively than in the direct one. Did this happen coincidentally or deliberately? To answer it, this paper did t-test for inter-semester budget and inter-accounts budget.

**Table 4: Descriptive Statistics of Indirect Expenditure Budget Variance
Special Province of Jakarta (2004-2007)**

Budget Variance	Year	2004	2005	2006	2007	Average
Definition A	Mean	82.15	84.66	72.22	50.48	72.3775
	Max	210.84	906.05	182.93	190.26	
	Min	0.80	2.05	0.53	0.56	
	Median	82.14	70.51	58.29	26.94	
	Standard Deviation	68.70	88.51	53.77	53.91	
Definition B	Mean	80.38	77.61	70.84	50.15	69.745
	Max	199.24	183.85	182.93	190.26	
	Min	0.79	0.89	0.30	0.33	
	Median	79.18	77.76	59.20	26.76	
	Standard Deviation	66.99	54.61	52.77	53.88	

Source: Government of Special Province of Jakarta

In Table 5, it revealed the result of paired mean differences test for inter-semester direct budget during the last four years. The study found that the slacks between targeted budget and realization of direct expenditure budget were significantly different in each semester.

Abdullah, Warokka & Kuncoro

Table 5 : Summary of Paired Mean Difference Test of Inter-Semester Budget Slacks of Direct Expenditure Budget

Budgetary Slack	Value	Year			
		2004	2005	2006	2007
Definition A	t-statistics	16.9780	17.1740	4.4690	9.2727
Definition B	t-statistics	22.8085	19.3746	12.4393	9.2727

*t-table (5%; 26) = 2.379 (one-tail)

Table 6 also showed that the result of paired mean differences test for inter-semester indirect budget during the last four years. The study found that the slacks between targeted budget and realization of indirect expenditure budget were significantly different in each semester. The t-statistics value is bigger than the t-table with confidence level 5%, i.e. 1.96.

Table 6 : Summary of Paired Mean Difference Test of Inter-Semester Budget Slacks of Indirect Expenditure Budget

Budgetary Slack	Value	Year			
		2004	2005	2006	2007
Definition A	t-statistics	38.4128	9.9302	33.8744	13.9028
Definition B	t-statistics	40.6857	46.3426	34.9555	13.7004

*t-table (5%; 148) = 2.264 (one-tail)

The empirical findings uncovered that the realization level for both categories of expenditures was not the same at the first and second semester (inter-semester). Budget realization tended to overcome the target at the second semester in each year. It meant that there was less integration between planning and budgeting in context of long-time frame. As consequence, programs or activities relevance were less responsive to the current problem and the available opportunities. Therefore, it lacked of program consistency and synchronization vertically and horizontally.

Table 7 and 8 provided a summary of two ways ANOVA test for 14 accounts of direct expenditure budget and 75 accounts of indirect expenditure budget during eight semesters. Generally, both tests supported the hypotheses that there were slacks between targeted budget and its realization for each account of indirect and direct expenditure budget. F-statistics values were bigger than F-table values with confidence level 5%, 2.027 and 1.313, respectively.

Table 7: Summary of Two Ways ANOVA Test of Inter-Semester and Inter-Accounts Budget Slacks of Direct Expenditure Budget

Budgetary Slack	ANOVA		Conclusion
	F-statistics (1)	F-statistics (2)	
Definition A	35.2730	4.0900	There are significantly budgetary slacks of inter-semester and inter-accounts budget in each year.
Definition B	94.6333	9.0303	There are significantly budgetary slacks of inter-semester and inter-accounts budget in each year.

F-table (5%; 7; 518) = 2.027

F-table (5%; 74; 518) = 1.313

Table 8: Summary of Two Ways ANOVA Test of Inter-Semester and Inter-Accounts Budget Slacks of Indirect Expenditure Budget

Budgetary Slack	ANOVA		Conclusion
	F-statistics (1)	F-statistics (2)	
Definition A	154.9875	3.0717	There are significantly budgetary slacks of inter-semester and inter-accounts budget in each year.
Definition B	104.3178	1.6862	There are significantly budgetary slacks of inter-semester and inter-accounts budget in each year.

F-table (5%; 7; 518) = 2.027

F-table (5%; 74; 518) = 1.313

These empirical findings indicated that each department in local government determined and set the budget with its own perspectives and objectives. It meant that there programs were overlapping each other and even, crossed-eliminating. Based on direct observation, the program progress report still tended to focus just on fund spending report, or in other words, there was no clear integration between financial report and performance report, as expected in Government Regulation No. 8 (2006).

In context of report, performance indicator specification and performance target are still weak, even in some cases, the setting of expenditure amount is not based on performance target or results. This kind of settings has caused output volume relatively changes rapidly, while total expenditure is still the same. There some accounts in budget are not clear its performance indicators, such as General Administration Expenditure and Operational and Maintenance Expenditure. Generally, the weakness of local government financial management is indicated by the delaying of local public finance announcement and its revision often happens at the end of budget year.

6. Summary and Conclusions

Based on paired mean difference test and two ways ANOVA test, there are significantly budgetary slacks of inter-semester and inter-accounts budget. It means that comparative theory does not apply in case of Indonesian local governance. In Indonesia, less-developed provinces tend to estimate the revenue as high as possible, meanwhile determine expenditure budget lower than normal. It is done just to get “positive perception” from central government and is deliberately done to find political advantage and far away from the entrepreneurial spirit. Unfortunately, developed provinces, such as Special Province of Jakarta, also do this kind of behaviors. It reflects that local government does not have any important characteristics to be an entrepreneur in managing its region or people, such as innovative and creative ideas to manage the risk of budgetary slacks.

Special Province of Jakarta could study from Visalia, California, a prototypical American community, which had adopted successfully a radically new budget system (Osborne and Gaebler, 1992). It allowed manager to respond quickly as circumstances changed. Called the Expenditure Control Budget, it made two simple changes. First, it eliminated all line items within departmental budgets—freeing managers to move resources around as needs shifted. Second, it allowed departments to keep what they did not spend from one year to the next, so they could shift unused funds to new priorities.

Abdullah, Warokka & Kuncoro

However, this paper has main limitation, due to its study of ex post aspect and not taking ex ante aspect. This study could not provide any information related to factors influencing of public expenditure budgeting process, which are main variables of ex ante aspects, such as central government policies on national budget allocation to provinces and political behaviour of ruling governors. Further studies in this topic are still open, especially with observation spectrum on monthly basis and by taking consideration of liquidity factor as the determinant of budgetary slacks, because facts reveal that budget realization is far away from targeted budget due to the unavailable fresh fund when it is needed. By taking data before the period of 2004, further studies could make a comparison of the pre and post period of new public management program, whether the program really has given a significant improvement or not.

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Abdullah, Warokka & Kuncoro

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Abdullah, Warokka & Kuncoro

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