

# Budget Behavior and Corruption: An Manifestation of Political Economy in Indonesia

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**ABSTRACT:** The purpose of this study is to describe the behavior as one form of political economy in Indonesia. The study further analyzes the potential for budgetary behavior associated with corruption. The analysis basically focuses on analytical descriptive analysis. Using such methods, it can provide information about the relationship between political economy, budgetary behavior, and relations with corruption in Indonesia. The conclusion of the study is that the Indonesian economy is strongly influenced by political circumstances and forces. With the current budgeting system, the Indonesian economy will always be at great risk to abuse of power and corruption.

**KEYWORDS :** *political economy, budget behavior, corruption*

## I. INTRODUCTION

Since independence, Indonesia has a different tendency in embracing the economic system. Such trends certainly have an impact on the character formation of the Indonesian economy. In accordance with the existing history, the characters are different for each era (Hamid, 2017). With an egalitarian character and executive heavy, the New Order government has such strong political and economic power. The legislative role is then like only a formality. The executive power that was so great during the New Order era disappeared during the reform era. The shift that precedes the democratic euphoria further diverts the power to the legislature (legislative heavy). The situation is certainly a big impact on the political and economic Indonesia. One enormous economic impact is the legislative power in determining and overseeing the budget. The situation occurs from the central government level to the local government. The government often faces difficulties in discussing the Draft State Budget (RAPBN) and Draft Regional Budget (RAPBD). The difficulty is mainly about the conclusions of the RAPBN and RAPBD contents. Sometimes the determination is done at a time very close to the current year.

Another major change is the mechanism of the decentralization process. Decentralization over the last few decades is an important and crucial topic for developing countries, including Indonesia (Hadiz, 2004, p. 697). Although Indonesia's economic substance is shaped by the same elements as those of a mixed economy, the facts are that there are always inseparable aspects. The development of decentralization today makes the direction of budgeting more and more mixed with politics.

The process of budgeting both at the national and regional levels becomes more stringent and complex. The strength of politics through the legislative power certainly brings another risk, namely the possibility of transactional politics. There is a possibility in which the legislature incorporates the interests of the faction in the preparation of the budget. This of course will result in the community either directly or indirectly. Not only that, such political economy can also lead to greater corruption opportunities. Closely related to the economy with politics, especially budget issues. It is therefore very important to describe the political economy and budget behavior that exist in Indonesia.

## II. LITERATURE STUDY

Since changing direction towards decentralization, which form the political economy of Indonesia also change. The direction of development seeks to be manipulated through improved health, education and employment. Although decentralization is the best option that Indonesia has, it does not mean the decentralization does not pose a potential problem. Goldsmith in 1997 conducted a study entitled Economic Rights and Government in Developing Countries: Cross-National Evidence on Growth and Development. In his research, Goldsmith revealed that economic democracy greatly affects the prosperity of the people. Decentralization has no relationship to the index of economic freedom.

The government needs to be careful when run the socio-economy with decentralization. Many developing countries fail to enforce the law to secure the economy, and that is why economic democracy cannot affect welfare. Hadiz in 2004 published a study entitled *Decentralization and Democracy in Indonesia: a Critique of Neo-Institutionalist Perspectives*. Hadiz found that the process of decentralization was too great and was heavily influenced by the interests and benefits of local governments. It is characterized by a very low scale of transparency and an inadequate accountability side. Economic democratization to realize a just economy is still not seen in Indonesia.

Other studies have also found the same thing. Although the focus of the study is slightly narrower - however- Kurniawan, Harbianto, Marthias, & Purwaningrum, in 2012 found that budget policy in Papua province cannot improve the quality of public health. Interestingly, they mentioned that it might happen in other region of Indonesia.

Other studies reveal similar conclusions. Lewis (2016), reveals that the portion of the budget organized provinces without significant input from the district would cause negative effects. Several other studies are conducted by, Baker, (2015); Goldsmith (1995); Kristiansen, Dwiyanto, Pramusinto, & Putranto, (2008), have a paradigmatic conclusion- although not exactly same-that budget transparency is still a problem that can lead to corruption.

For a developing country like Indonesia, the behavior of the budget as a manifestation of a democratic-based political economy still has potential big problems. The close connection between the behavior of the budget since the enactment of decentralization and the act of abuse of power is very common in many cases.

### III. METHODOLOGY

The analysis basically focuses on analytical descriptive analysis. A qualitative approach is expected to provide a specific picture of the urgency of the relationship between budgetary behavior, and corruption, and their relationship with Indonesia's political economy. Descriptive analysis provides a wide range of possibilities for the discussion. This type of qualitative research is purposely used to produce a more in-depth and more independent discussion. Descriptive analysis with in-depth discussion is expected to provide a clear picture of the actual situation occurred.

### IV. DISCUSSION

#### *a. BUDGET AND POLITICAL BEHAVIOR IN INDONESIA*

Political Economics is a theory to understand the link between economy and politics. This science is very useful to clarify public policy and business environment (Goldsmith, Arthur A, 1990). In looking at Indonesia's current economy, it is very difficult to separate politics from analysis. Macroeconomic analysis, especially State Budget Expenditure Budget can no longer be separated from political interruption.

As mentioned earlier, changes in the direction of economic democratization have lead to legislative heavy. For the planning of the budget itself, as stipulated in the 1945 Constitution article 23 verse 2 it is explained that the House of Representatives has the power to discuss the budget. In the next paragraph the government can use the budget last year if the proposed budget is not approved by the House of Representatives. based on the 1945 Constitution then established Law number 17 of 2003 on state finances. In the legislation it is rearranged the role and function of legislative in terms of budgeting. In this Act visible strength of the legislative role in the role of determining the budget. The legislative role has been described in chapters 13 to 15. From these articles it can be concluded that the House of Representatives as a representation of the people themselves has as much power as the executive to determine the budget.

The great power in budget behavior that is put on one side is very risky to cause problems (Baker, 2015). In the Indonesian context, this is has a very high probability. In a legislative body composed of various factions, has an interest on the basis of its own fraction. Ultimately, those interests will affect the opinion in determining the budget. In the concept of political economy, a policy may be made for the interest of a vested interest group that usually has a position close to the vested interest model. An economic policy is created as a result of pressure by interest groups. Thus, a policy depends on the costs and benefits of the interest group.

At the time of the planning process the legislature has a great opportunity to intervene in accordance with its interests (Yuhertiana, Pranoto, & Priono, 2015). It is very possible because of the interaction between the executive and the legislature. In addition, there is an opportunity to ratify the budget proposal from the executive. Political interest is very influential in the process. A very likely undertaking is to include a large project proposal that benefits the nearest party.

### **b. BUDGETING BEHAVIOUR AND CORRUPTION**

If such deviant behavior continues to be allowed, it will generate political power in the context of economic monopoly (Tolentino, 2010). Power is defined as an industry. The form of the political industry can be easily seen from the massive corruption practices that occur in the political sphere and involve politicians. With industrial logic, power holders are racing to produce 'profit' taken from the public budget to cover political 'capital' that has been used as an initial 'investment' before becoming a public official and a power holder. Not only that, the character of the industry that feels more comfortable and secure with the form of a market that 'monopolist' was also adopted. All these things give rise to enrichment, cronies, friends, colleagues, and ideological friends. The aim is none other than to ensure the sustainability of the political 'industry' itself. As a result corruption occurs in congregation and chain.

Unlike the political economy in the budgeting process, the behavioral aberrations in the budget realization process are much deeper and more concrete. The deviation of budget behavior at this stage is not only manifested in corrupt behavior, but also in other forms. Politically, the ruling authority has the authority to use the budget. Such use is sometimes also influenced by the interests of powerful political forces. The budget policy also leads to the benefit of the vested interest group, so policy is made on the group's "cost-benefit", which of course, it's packed with populist language like "for people's prosperity".

The corruption occurring in Indonesia is shown in the table below. There is an increase in corruption cases in all cases. Of the total, the execution of corruption cases increased from 38 to 81 in 2016. This indicates an increase in the performance of the KPK. But on the other hand, there is the fact that it turns out the corruption case is not reduced but it increases. One indication of why this happens is the process of using the budget which for some people is still considered easy to manipulate.

In fact, executive performance judged by budget absorption does give the rest of the problems. If the executive does not absorb the budget it is considered unworkable. In fact, working and not working is a matter of efficiency and priority scale. This then causes the use of the budget to be increased and subsequently causes the budget discipline to begin to decrease.

**Table 1. Indonesian Corruption cases**

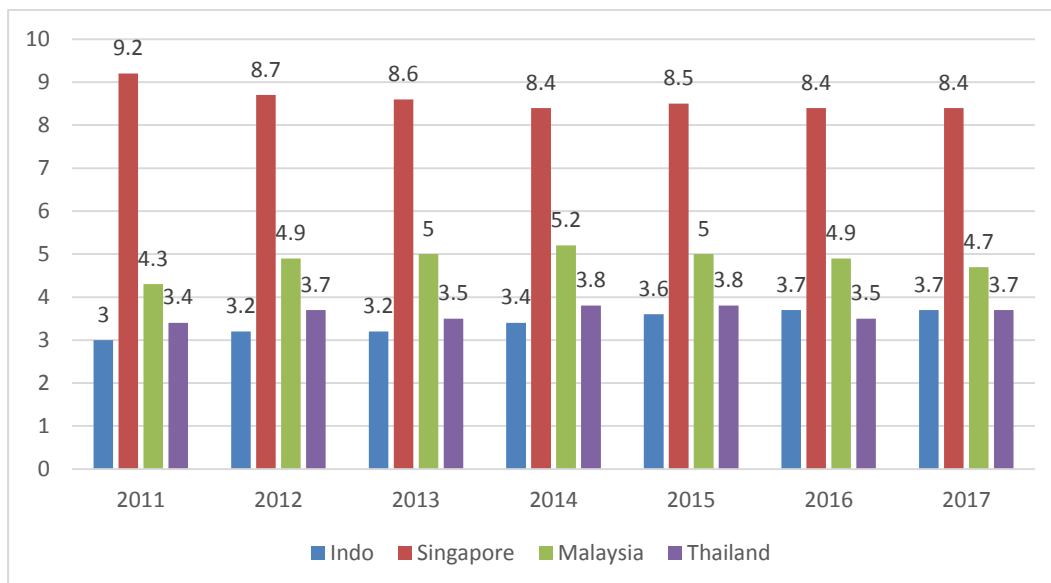
Case	Count	
	2015	2016
<b>Investigation</b>	87	96
<b>Investigation</b>	57	99
<b>Prosecution</b>	62	76
<b>Inkracht</b>	37	70
<b>Execution</b>	38	81

Source: Annual Report, Komisi Pemberantasan Korupsi Indonesia.

The state if it can not disclose corruption cases will be left behind in public confidence (Kenny, 2009). Indonesia as seen in Figure 1 still lags behind some of the neighboring countries of the problem of handling corruption. This is evident from the Corruption Perceptions Index score. The value of Indonesia's corruption perception index still shows low corruption prevention. The index is never more than 4 points. Meanwhile, if compared to some neighboring countries such as Malaysia and Singapore, of course the value of Indonesia is still far below.

The data show that public confidence in the government that the government is far from corruption is still very small. This is very much related to the handling of corruption itself. Therefore, to restore public confidence, need to solve the problem of corruption to the root. If not, then the government will lose public trust.

The practice of corruption is also increasingly fertile in the Region. According to ICW Data, in the period 2010 to 2014, there are at least 182 regional heads who have become suspects. In 2015 and 2016, heads of regions involved in corruption actually increased to 361 regional heads. In 2017 alone there are 98 heads of regions involved in corruption cases. This indicates that budget misuse in the regions has been very serious and this abuse is no longer only in the center, and causes a lot of state money losses. Whereas the provision of regional autonomy is expected to reduce corruption because the community control on the distance budget users become closer.



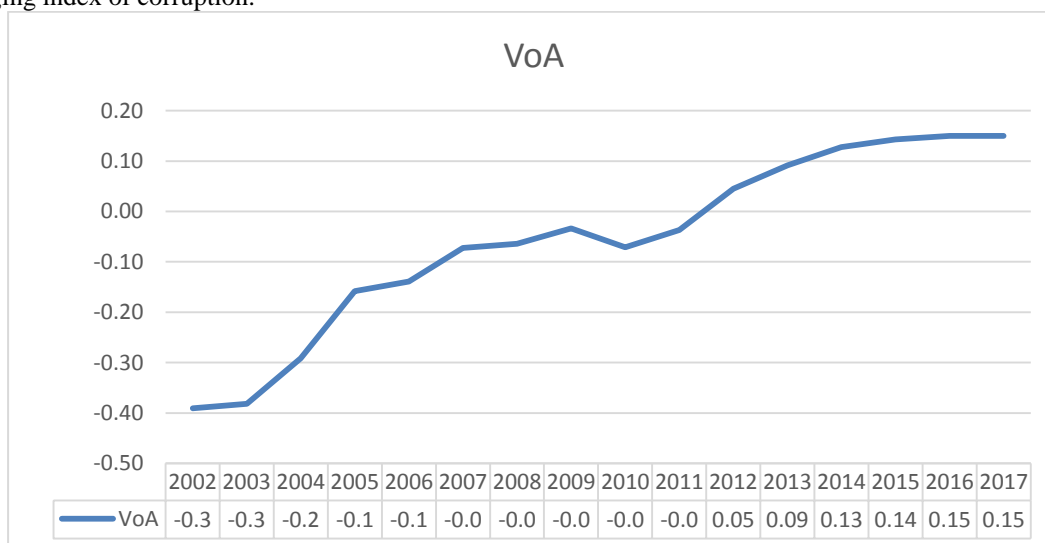
**Figure 1. Corruption Perceptions Index of Indonesia and some neighboring countries**  
Source: Transparency International.

Corruption seems to have been considered normal. It's as a result of power has been interpreted to be "industry". This can be seen from the actors who seek power in the executive, legislative, even in the judiciary. They are willing to spend money or sacrifice anything, including self-esteem to gain power. With power as an industry, then what is produced or produced is profit. To gain profit then must side with the strong or the rich. This is the product of capitalism of power. With the servitude of power, it is not surprising that so many "pilgrims" of the legislature, executives such as regional heads, as well as in the judiciary are concerned with the problem of "abuse of power", abuse of power related to self-enriching practices.

### c. THE EFFECT OF ABNORMAL BUDGETING BEHAVIORS

The various budget behaviors that have been described in the deviation certainly have an impact for the government. The greatest impact is on the limitations of the government in the present to demonstrate its ability to build a sustainable economy for the purpose of achieving people's welfare.

The Worldwide Governance Indicators (WGI) project, which annually examines governance indicators indicates that the Reformasi era with the spirit of democratization has not yielded maximum results. In the data presented, the democratization of the economy is indeed increasing during the reform era. Nevertheless, the government control index actually experienced a downward trend. This shows that democracy alone does not guarantee the establishment of good governance, including with budgetary behavior, reflected by the unchanging index of corruption.



**Figure 2. Indonesia's Democracy Indeks**

Source: <http://info.worldbank.org/governance/wgi/>

Under such conditions, the use of budget is strongly influenced by political interests and content. When the state is in poor regulatory quality, and its rule of law is also low, and control of corruption is still not maximized, then the space is very open for abuse of power behind the figures on the fiscal government. Thus, it is easy to read that raising or abolishing fuel subsidies, raising or lowering the tax rate, distributing equity funds, including special autonomy funds, is laden with ruling political considerations and interests.

In such conditions, it is not easy to straighten out budgetary accountability in order to make the budget effective and efficient. Political pressures through existing networks in the executive, legislative, and even judiciary will greatly influence the process of budget preparation and implementation, as illustrated in the policy formation process chart above. Various interests enter and can divert the calculated budget draft to carry out activities effectively and efficiently. But this is not something that cannot be fixed. With the involvement of widespread public control and social sanction afforded by the public to officials or political forces abusing power, budgetary acumen deviating from its best path can be minimized at least.

## V. CONCLUSION

From the discussion it can be concluded that the Indonesian economy is a very large economy influenced by the political situation. With the current budgeting system, the Indonesian economy will always be at great risk to abuse of power and corruption. The macroeconomic conditions also cannot significantly improve as long as the role and political influence is still very large on the economy.

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