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The Phenomenon of Budget Deficits and High SILPA: An Effectiveness Analysis of Regional Budget Management in Local Governments of East Java

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ABSTRACT
This study investigates the paradox of regional financial governance in East Java, where deficit budget planning consistently results in a high Remaining Budget Financing (SILPA) at the end of the fiscal year. The novelty of this research lies in integrating budget realization data with institutional and political analyses to explain inefficiencies in regional public budgeting. Using a mixed-methods descriptive approach, this study examines four local government entities in East Java—Tulungagung Regency, Blitar City, Blitar Regency, and Kediri City—through descriptive tabulation of revenue, expenditure, and SILPA realizations, complemented by analysis based on fiscal stress theory, internal control systems, and agency theory in the public sector. The findings reveal that the coexistence of budget deficits and high SILPA reflects significant governance dysfunction, characterized by weaknesses in the Government Internal Control System (SPIP), limited capacity of Government Internal Supervisory Apparatus (APIP), heavy dependence on central government transfers, and political dynamics that create inconsistencies between development planning documents and budget formulation. These conditions contribute to substantial budget variances and reduce the effectiveness of public financial management. Therefore, strengthening collaborative governance mechanisms and integrating digital budgeting systems are recommended to enhance budget accuracy, improve accountability, and minimize opportunistic behavior in regional financial governance.The Atlantis Press Proceedings article template has many predefined paragraph styles for you to use/apply as you write your paper. To format your abstract, use the Microsoft Word template style: [Abstract]. Each paper must include an abstract. Begin the abstract with the title "Abstract" in bold font, followed by a paragraph with normal 10-point font. Do not cite references in the abstract. Please do not place or cite tables and figures in the abstract either.

Keywords: *Budget Deficit, Fiscal Decentralization, Regional Financial Management, SILPA.*

1. INTRODUCTION

The fundamental goal of regional financial management is to achieve efficiency, effectiveness, and accountability to spur economic growth and public welfare (Priono et al., 2019). However, a persistent phenomenon in the management of the Regional Revenue and Expenditure Budget (APBD) in East Java Province reveals a critical anomaly: planned and recurring budget deficits that paradoxically end with an excessively high accumulation of Remaining Budget Financing (SILPA) at the end of the fiscal year (Rizki et al., 2024). This phenomenon is a strong indicator of high budget variance, reflecting inefficiencies in the cycle of planning, execution, and managerial supervision of regional finances.

Fiscal decentralization, which is intended to strengthen autonomy, has not provided optimal impacts without being balanced by transparent and adaptive institutional governance architecture (Sofilda et al., 2023; Muhlisin et al., 2025). The root of this fiscal stress is multidimensional. First, many local governments in East Java have not been able to escape the trap of structural dependence on central government balancing funds (Huda et al., 2019). This low fiscal independence distorts the motivation and incentives of the regions in mobilizing their Locally-Generated Revenue (PAD) optimally (Andjarwati et al., 2021; Khusaini, 2020).

Second, literature reviews explicitly identify that the weak point of budget execution stems from the fragility of the Government Internal Control System (SPIP), particularly in the domains of asset management, procurement of goods, and the preparation of compliance financial reports (Ningsih, 2016; Afiah et al., 2020). The lack of independence and technical competence of the Government Internal Supervisory Apparatus (APIP) results in many audit findings failing to be followed up tactically, thereby triggering the stagnation of development programs and the swelling of SILPA (Sutaryo & Anto, 2023; Pratiwi et al., 2020). In addition to administrative obstacles, the budgeting process is also vulnerable to intervention by electoral political dynamics and power asymmetries between the executive and legislative branches, which give rise to opportunistic behavior and the distortion of public expenditure allocation priorities (Soetedjo & Fitri, 2019; Hakim et al., 2021).

The research gap of this study lies in the limitations of previous literature studies that integratively combine the examination of nominal APBD realization data with the structural-institutional analysis behind it. Several studies focus on the political budget cycle (Setiawan & Rizkiah, 2017) or the technical quality of regional financial reporting (Fuad et al., 2021), but rarely evaluate the deficit-SILPA variance anomaly using direct empirical local government data simultaneously. Therefore, this study aims to fill this void by dissecting the main determinants of deficits and high SILPA in APBD governance across four representative areas in East Java. The unification of empirical data-driven analysis with this institutional framework is expected to formulate managerial policy recommendations to massively reduce budget variance.

2. RESEARCH METHODS

This research applies a descriptive mixed-methods design that synergizes quantitative data extraction with qualitative public policy analysis. The sample population in this study is focused on four administrative entities in East Java Province, namely: Tulungagung Regency, Blitar City, Blitar Regency, and Kediri City. The fiscal characteristics of these four entities are considered representative to illustrate the disparities and uniformity of APBD governance at the city and regency levels.

The analytical approach is executed through two main frameworks. The first stage involves descriptive tabulation from the executive summary documents of the current year's APBD realization to diagnose variance in the variables of Regional Revenue, Regional Expenditure, Budget Surplus/Deficit rate, and the amount of Year-End SILPA. The second stage adopts a conceptual synthesis through a systematic literature review of indexed publications to unravel the causal explanatory probabilities of these descriptive findings. The analysis focuses on the capabilities of the internal control system, the distortion of planning-budgeting coordination (Khusaini, 2014; Vidyattama et al., 2022), and the intervention of local political asymmetries.

3. MATH AND EQUATIONS

Based on the consolidated tabulation of regional financial realization reports, there is a strong indication of significant fiscal dissonance. Local governments formulated expenditure postures that exceeded revenue estimates, but in execution, they failed to accelerate budget absorption, leading to an unnaturally massive accumulation of remaining funds or SILPA.

The empirical data analysis in Table 1 proves the existence of a fiscal paradox. Tulungagung Regency and Kediri City designed deficit APBD postures of Rp 271.2 Billion and Rp 88.3 Billion, respectively. Nevertheless, the final recording proves that these expenditures failed to be fully realized, triggering a surge in SILPA reaching margins of Rp 477.5 Billion in Tulungagung and Rp 478.1 Billion in Kediri City. This deviation is academically classified as a form of fiscal stress resulting from budget rigidity (Rizki et al., 2024). Why does this massive inefficiency occur? First, the maturity level of the Government Internal Control System (SPIP) remains highly fragile. The ineptitude of the apparatus in managing asset administration and concerns over investigative audits clog the flow of public goods and services procurement, which automatically forces programs to halt before being fully absorbed (Pratiwi et al., 2020; Afiah et al., 2020).

Second, political determinants also degrade the quality of budget execution. There is a chronic misalignment between the technocratically crafted Local Government Work Plan (RKPD) documents and the Draft APBD (RAPBD), which is thick with political friction (Ningrum et al., 2024; Kusrini & Bullah, 2024). The tug-of-war of interests at the legislative table typically causes delays in APBD ratification (Vidyattama et al., 2022), truncating the program implementation timeline at the Regional Apparatus Organization (OPD) level, inevitably producing underexecuted programs that culminate in SILPA.

How to intervene in this anomaly? Remedial efforts must target the strengthening of collaborative governance institutions (Bahri et al., 2020) and the protection of independence for regional internal auditors to oversee process compliance without intimidation (Sutaryo & Anto, 2023). The dark spaces of information asymmetry and opportunistic behavior must be eliminated through a comprehensive digital governance architecture, specifically E-Budgeting platforms capable of locking in expenditure details from the development planning deliberation phase (Musrenbang) to the final budget approval, ensuring allocation stability according to regional capacity ratios (Rahmadani et al., 2025; Hakim et al., 2021).

4. CONCLUSION

The persistent phenomenon of setting deficit budgets that contradict the explosion of Remaining Budget Financing (SILPA) in East Java is not merely an administrative distortion, but a tangible manifestation of systemic failure in institutional governance and public sector accountability. This dysfunctional condition is manifested by high dependence on central transfers, minimal maturity of internal supervision (SPIP), and interventions from political dynamics that uproot the synchronization between technocratic planning and budget execution. In response to this inefficiency, a paradigm restructuring is recommended by institutionalizing multisectoral governance forums, strengthening the competence and independence of internal audit executors (APIP), and totally digitizing the administration system (E-Budgeting) to suppress opportunistic leakages. This research urges the implementation of a holistic control-based policy framework to restore the function of regional budgeting as a real instrument for driving comprehensive development, while simultaneously stimulating further discourse related to the causality evaluation of electoral corruption on the swelling of unabsorbed budgets.

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