

EXPLORING THE FACTORS THAT IMPACT THE ACCUMULATION OF BUDGET ABSORPTION IN THE END OF THE FISCAL YEAR 2013: A CASE STUDY IN PEKALONGAN CITY OF CENTRAL JAVA INDONESIA

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ABSTRACT

The purpose of this research is to find out factors influencing the Accumulation of Budget Absorption in the end of fiscal year. This is case study in 2013 fiscal year of Government of Pekalongan City. The research try to analyze whether it is absorbed optimally or getting a delay of absorption and then it accumulates. Based on literature review then we choose Budget Planning Factor (X₁), Budget Applying Factor (X₂), Internal Factor of Work Unit (X₃), Human Resources Factor (X₄), Document Factor (X₅), and Administration Factor (X₆) as independent variables and Budget Absorption (Y). Samples used are 81 work unit of regional government located in Pekalongan City, namely Budget User Officer, Financial Management Officer, Technically Financial Applying Officer and Expenditure Treasurer. The type of data used in this research is primary data. This is analyzed by multiple regression method. The questionnaire has met a requirement of validity and reliability test. While the result of regression analysis also indicates that it has been met a requirement of classical assumptions. Budget Planning Factor (X₁), Budget Applying Factor (X₂), Internal Factor of Work Unit (X₃), Human Resources Factor (X₄), Document Factor (X₅), and Administration Factor (X₆) have a significant simultaneous influence towards Accumulation of Budget Absorption in Pekalongan City. Partially, only Human Resources Factor and Document Factor have significant effect to the Accumulation of Budget Absorption, while the others are not significant.

Key words : Accumulation of Budget Absorption, Budget Planning Factor, Budget Applying Factor, Document Factor, Administration Factor.

Introduction

Local Government Budget will have a real role in improving the quality of public services as well as the stimulus for regional economy if it is realized well (Miliasih, 2012, Sukadi, 2012 and Zuhriansyah, 2013). However, it turns out in general that the conditions of the local governments' expenditure absorption is still low. Low realization of local government expenditure is caused by, one of them, that in the first quarter all new tender processes has just started and it takes at least 2 months starting from the announcement of the bidding until the determination of the winning bidder. Therefore, in the second quarter and even in the third quarter the activity implementation starts.

In the second and third quarter, the expenditure realizations for personnel, goods and services and other expenditures follow relatively better pattern. However, for the capital expenditure, the development is likely slow. Some things which are very likely to be the cause of such delays include the delays in the establishment of local government budget, unfinished bidding process or also other technical problems which resulted in the realization of capital expenditure after the revision in the local government budget (mostly conducted in August-September). And in the fourth quarter, the realization of capital expenditure rises significantly, but it does not reach 100% of the main budget. This is due to the same problems as the previous quarters, such as the determination of the local government budget, the revision of local government is overdue, the efficiency of capital expenditures and various efficiency policies.

Pekalongan city as part of the Central Java region in Indonesia also experienced similar conditions. Based on the evaluation results conducted by the Financial and Development Supervisory Agency (BPKP) of the Representatives of Central Java province on the budget absorption of Pekalongan City Government in the first semester of 2013, it was concluded that the causes of the low budget absorption are the the wrong account in the preparation of budgets, the action plans have not considered the availability of Human Resources, repeated bidding process, and the delay of the responsibility for Inventory Refund. The budget realization report of Pekalongan City Government in 2013 includes budget ceiling, budget revision ceiling, and the realization of the budget from the first quarter to fourth quarter, and the percentage of absorption. The budget ceiling in 2013 was IDR 638,974,553,000, the expenditure realization in the first quarter reached IDR 68,822,847,036 (10.77%), and the realization

in the second quarter was IDR 195,111,198,940 (30.54). Supposedly, if it they were well-scheduled, in the second quarter the expenditure realization reached 50%. Then, the budget ceiling after the revision was IDR 730,305,312,000, the expenditures realization in the third quarter reached IDR 356,970,460,614 (48.88%), and the realization at the end of the fourth quarter was IDR 664,175,351,720 (90.94%). Of the realization in the third quarter to the fourth quarter, there was an increase of 42.06%, so it can be said that there was an accumulation of budget absorption at the end of 2013. This can be seen in the realization of direct expenditure realization which consists of employee expenditure, expenditure of goods and services, and capital expenditure.

Concerning the differences in the findings above, there are research gaps and the repeated research is required on the factors that cause an accumulation of budget absorption at the end of the year in different research objects. The real condition occurred in Pekanbaru City Government due to the budget absorption in 2013 had the accumulation at the end of the fiscal year. Therefore, the writers wanted to examine and reassess through this research in order to find the factors that lead to the accumulation of budget at the end of the year. Further in this article will be described about: Previous Research, Research Model, Research Method, The Research Findings and Discussion, Theoretical and Managerial Implications, Conclusion, Limitation, Recommendations for Future Research and References.

Previous Research

The study conducted by Kuswoyo (2011), who examined the Working Unit in the area of KPPN in Kediri, concluded that the factors influencing the accumulation of budget absorption at the end of the fiscal year is the factors of Budget Planning, Budget Implementation, Procurement and Internal of Work Unit. These results are also supported by Sukadi (2012) who investigated at the Work Unit in the working area of KPPN in Yogyakarta, concluded that the factors influencing the accumulation of budget absorption at the end of fiscal year are the factors of Budget Planning, Budget Implementation, Procurement and Internal of Work Unit. The different research results were found by Herriyanto (2012) at the Work Unit of Ministry or Institution in the area of Jakarta who concluded that the factors that influence the delays of budget absorption are the factors of Administration, Human Resources, Document and Inventory Refund.

On the other hand, the research conducted by Miliasih (2012) on the Work Unit of Ministry/ Institution in 2010 in the Payment Area of KPPN in Pekanbaru concluded that the factor affecting the delay of budget absorption at the end of the year is the factor of Internal Work Unit. Priyatno (2013) concluded that the factors affecting the budget absorption of the Work Unit are the factors of administration and human resource, planning and procurement of goods and services.

Based on the literature review conducted by the researchers (McGrail, 1986, Benjamin et al, 2009, Fahriyah, 2010), there are various factors that cause an accumulation of budget absorption at the end of the year as follows (Mardiasmo, 2005):

1. Budget Planning

Budget planning is an integrated process, so the output of the planning is budgeting. Program formulation in a planning eventually has the implications on the amount of budget needs to be provided so that the successful use of budget starts from planning. The budget planning which is not well-prepared will also have the impact on the evaluation and revision continuously by the relevant officials on the planning aspect. If it lasts longer, the implementation of the budget for development program will be retarded and delay the schedule. In the end, the budget cannot be used and ultimately congested.

2. Budget Implementation

Some programs and activities in budget implementation are often revised so that the programs and activities cannot be implemented. The established operational guidelines of activities often have some differences from the budget implementation document. The regulations on the mechanism of local government budget disbursement are not very clear. If these things are happening, of course, the available budget will be too late to be absorbed and congested.

3. Internal of Work Unit

Financial managers of work unit are often mutated / moved to other work places. Working disharmony between relevant sections in the environment of SKPD (Local Government Work Unit) will also cause the delays in budget implementation. The delays in the implementation of the budget from the schedule made leads to the accumulation of available budget. Moreover, the human resources in a working unit who understand financial management are limited. Work units do not understand the mechanism of the disbursement of local government budget through budget implementation document. Working unit's knowledge of the activity program in local government budget is insufficient. It leads to the hampered implementation of budget, and causes the accumulation of budget absorption.

4. Human Resources (HR)

The HR of work units (SKPD) who works to understand budget planning and budget implementation has limited knowledge and competence. Moreover, human resources in a work unit who understand financial management are limited. The work units do not understand the mechanism of the disbursement of local government budget through budget implementation document. The working unit's knowledge of activity program in local government budget is insufficient. It leads to the hampered implementation of budget, and causes the accumulation of budget absorption.

5. Document

The documents related to budget implementation are not complete and clear, so it needs to be revised. The documents of budget preparation and review are too brief and short, so it often leads to the difficulties in preparing the supporting data. Activity

schedules in budget implementation are late to be made because the documents are not ready. The matters related to this document are certainly going to lead to late budget implementation, so there will be budget absorption accumulation.

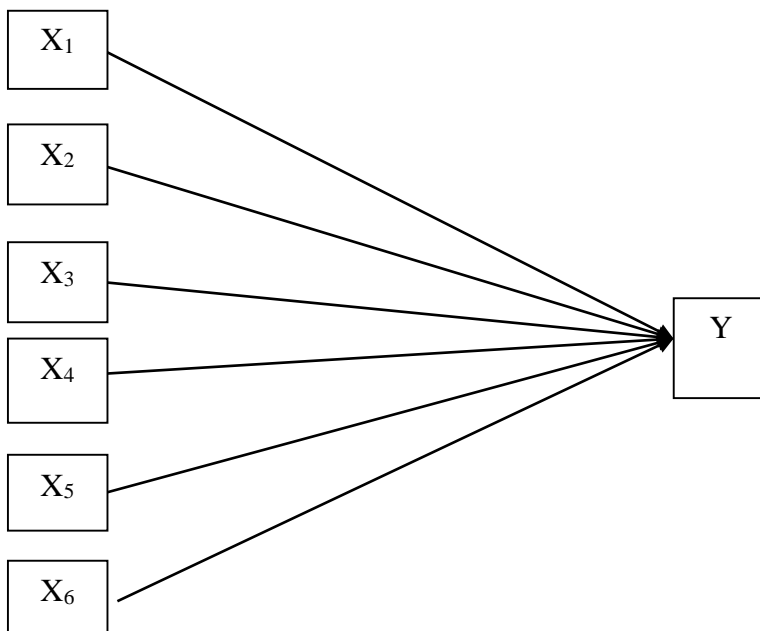
6. Administration

Administration system and accounting procedures in budget implementation are not well understood by the relevant authorities. The administration of local government financial administration related to the policy of local government budget management is not clearly structured. The preparations of financial reports and expenditures are not accompanied by supporting documents. SKPD’s financial statement which is the responsibility report of the use of the budget cannot be accounted maximally by the relevant authorities. If these things happen within a long time, it will cause a delay in budget implementation. At the end, budget will be congested.

Research Model

The concept framework of this research can be seen in the figure below:

Figure 1 : Empirical Model of this Research



Where :

X₁= Budget Planning Factor; X₂=Budget Implementation Factor; X₃= Internal Factor of Work Unit; X₄=Human Resource Factor; X₅=Document Factor; X₆= Administration Factor; Y = Budget Accumulation in the end of the year

Research method

Data Collection

The data in this research was collected by using questionnaire. The validity test on the questionnaire used factor analysis technique which loading factor 0.4. On the other hand this research used KMO and Bartlett test which limit more than 0.50 to be able conduct factor analysis. The reliability test based on Cronbach’s alpha >0.70 (Nunnally, 1994 in Ghazali, 2013). The questionnaire was designed to get the facts of the Budget Planning Factor (X₁), Budget Implementation factor (X₂), Internal of Work Unit Factor (X₃), HR Factor (X₄), Document Factor (X₅), and Administration Factor (X₆) and the Accumulation of Budget Absorption at the end of the year (Y). The populations of this research were 81 SKPD (Local Government Work Unit) in Pekalongan City Government. The samples in this research were the Officials of Financial Management at SKPD in Pekalongan, such as: Budget Users, Finance Administration Officer, the Executive Officer of Financial Technique or Expenditure Treasurer. Finally the data was analyzed by using multiple linear regression method.

Classical Assumption Tests

1. Normality Test

Normality test is conducted to determine whether the sample data is normal or not. This research used Kolmogorov-Smirnov test method. In making a decision, it is seen from the KS test result. If the significance probability value is greater than 0.05, the data is normally distributed. Conversely, if the significance probability value is lower than 0.05, the data is not normally distributed (Ghozali, 2013).

2. Multicollinearity Test

Multicollinearity test has the aim to test whether the regression model has the correlation between independent variables or not. A good regression model should not have the correlation between the independent variables. This research used Variance Inflation Factor (VIF) test. If the value of VIF more than 10, there is multicollinearity in the model. If VIF is far below 10, there is no multicollinearity in the model (Ghozali, 2013).

3. Heteroscedasticity test

Heteroscedasticity test aims to determine the occurrence of different variance for different independent variables (Ghozali, 2013). If the variance of the residuals of one observation to another observation is remained, then it is called homoscedasticity. If it is different, it is called heteroscedasticity. This research used Glejser Test method. The glacier technique requires the presence of Absolute Residual value as the dependent variable. Then, the existing independent variables are regressed against the dependent variable of the Absolute Residual. When the significance probability value is greater than 0.05, there is no heteroscedasticity in the model (Widarjono, 2010).

Model Selection Criteria

1. Determination Coefficient

Determination coefficient (R^2) is used to determine how far the ability of the independent variables in the model can explain the variation in the dependent variable. Determination coefficient (R^2) has a value between zero and one. The small value of determination coefficient (R^2) means that the ability of independent variables in explaining the variation of dependent variable is very limited. The determination coefficient (R^2) which is closer to one means that free variables provide almost all the information needed to predict the variation of dependent variables.

2. F Test

F test (ANOVA) is used to test the effect of independent variables on dependent variables simultaneously (Ghozali, 2013) with the criteria of the significance level of 0.05 and F-count is greater than F-table ($F\text{-count} > F\text{-table}$). When the significance probability is smaller than 0.05, it means that independent variables jointly have significant effect on dependent variables. Then, if the significance probability is greater than 0.05, it means that independent variables jointly do not have significant effect on dependent variables.

Hypothesis Testing

Hypothesis testing here is defined as a partial effect test of independent variables on dependent variables. This research used t-test method. If $t\text{-count} > t\text{-table}$, null hypothesis is rejected. But if $t\text{-count} < t\text{-table}$, null hypothesis is not rejected. The hypothesis the researchers used in this research are as follows:

Ho: The independent variables including budget planning, budget implementation, internal of work units, human resources, documents, and administration partially have insignificant effect on the accumulation of budget absorption.

H1: The independent variables including budget planning, budget implementation, internal of work units, human resources, documents, and administration partially have significant effect on the accumulation of budget absorption.

The research findings and discussion

Validity Test

Based on the validity test results to the variable of Budget Planning, the variable of Budget Implementation, the variable of Internal of Work Unit, the variable of Human Resources, the variable of Document, the variable of Administration and the variable of Accumulation of Budget Absorption it shows that all KMO value more than 0.05 and has the loading factor more than 0.4, so the instrument is valid and the further analysis can be conducted.

Reliability Test

Reliability test is conducted to measure the reliability or consistency of the items as the research instrument. The question items stated to be valid with validity test have reliability test. An instrument can be reliable when the coefficient of *Cronbach Alpha* is greater than 0,7. For all variables used in this research, they have the value of *Cronbach Alpha* $> 0,7$, so the variables are stated to be reliable (Ghozali, 2013).

Normality Test

Normality test is conducted to determine whether the sample data is normal or not. This research use parametric statistical tests of Kolmogorov-Smirnov. In making decision, the KS test is considered; if the significance probability value is greater than 0.05, the data is normally distributed. Conversely, if the significance probability value is lower than 0.05, the data is not normally distributed. Based on the results of statistical analysis using SPSS, the Kolmogorov-Smirnov normality test can be seen at Table 1.

Table 1: Normality Test Results Using Kolmogorov-Smirnov

One-Sample Kolmogorov-Smirnov Test			Unstandardized Residual
N			81
Normal Parameters ^{a,b}	Mean		.0000000
	Std. Deviation		.40867593
Most Extreme Differences	Absolute		.110
	Positive		.105
	Negative		-.110
Kolmogorov-Smirnov Z			.992
Asymp. Sig. (2-tailed)			.278

Source: SPSS Output, 2014

Multicollinearity Test

The multicollinearity test results showed that all independent variables (X) ranging from X₁ to X₆ have the VIF (Variance Inflation Factor) under 10. The Budget Planning has the VIF of 3,049. The Budget Implementation has the VIF of 4.010. The Internal of Work Unit has the VIF of 3,939. The Human Resources has the VIF of 4.387. The Document has the VIF of 2.253. The Administration has the VIF of 3.254. All of the variables X have VIF values smaller than 10. Thus, there is no multicollinearity between the independent variables in the regression model.

Heteroscedasticity Test

Based on Glejser test results, the significance probability value of all independent variables in the model has insignificant probability value. It can be seen from all probability values greater than alpha 5% (0.05). Thus, it can be stated that there is no heteroscedasticity in the regression model.

Model Selection Criteria

a. Determination Coefficient Value (R-Square)

R-square value of this research is 0.458 or 45.8% means that the contributions of Budget Planning Factor (X₁), Budget Implementation factor (X₂), Internal of Work Unit Factor (X₃), Human Resources Factor (X₄), Document Factor (X₅), and Administration Factor (X₆) on the Accumulation of Budget Absorption at the end of the year (Y) are only 45.8%. Meanwhile, the rest of 54.2% is explained by the other independent variables other than the independent variables used in the regression.

b. Statistical F-test (ANOVA)

The testing result of F statistic is 10.438 and the probability value is 0.000. This value is much smaller than alpha 5% (0.05) and 1% (0.01). Thus, it can be stated that the simultaneous or comprehensive effects of Budget Planning (X₁), Budget Implementation (X₂), Internal of Work Unit (X₃), Human Resources (X₄), Document (X₅), and Administration (X₆) on the Accumulation of Budget Absorption at the end of the year (Y) are very significant.

Hypothesis Testing

It is found that only one variable is significant at alpha 5%, that is, the variable of Document and one variable which is significant at alpha 10%, that is, the variable of Human Resources. Meanwhile, the others are not significant either at the level of 10% or 5%.

Table 2 : Output of Research Results

Variable	Coefficient	T count	Sig	VIF
Budget Planning	0,042	0,365	0,716	3,049
Budget Implementation	0,072	0,531	0,597	4,010
Internal of Work Unit	-0,149	-1,143	0,257	3,939
Human Resources	0,292	1,904	0,061	4,387
Document	0,401	3,931	0,000	2,253
Administration	-0,068	-0,566	0,573	3,254
Adjusted R Square	.414			
F count	10.438			
Sig	.000 ^a			

Source: SPSS Output, 2014

Discussion

After the research was conducted and it was analyzed statistically, only two variables were highly significant to the accumulation of budget absorption; Human Resources Factor and Document Factor. The probability value of the two variable were below alpha 5%. Meanwhile, the Human Resources had the probability value below alpha 10%. The other variables are not significant.

The independent variables had insignificant effect on the accumulation of budget absorption due to the officials related to the financial management of the Work Unit still attempt in order that the budget determined can be realized optimally. At the beginning of the fourth quarter and towards the end of the year, a coordination meeting of activity operational control was held. From the results of the coordination meeting, it is expected for the SKPD (Local Government Work Unit) whose expenditure achievement is low in order to immediately carry out its activities. Nevertheless, in the internal of work unit, there were still unsynchronized relationships between the fields / sections causing the budget absorption that accumulates at the end of the year. In any area in Indonesia, it is common. Working disharmony in the internal of work unit and the implementation of the administrative requirements of budget action plan will almost certainly occur. In other words, every government in districts / cities in Indonesia go through the same thing that causes the budget implementation is not absorbed optimally. In addition, it is not much different from the conditions occurred in the Local Government of Pekalongan City.

The research results also support the previous research conducted by Prasetyo Adi Priyatno (2013). In the research results of Priyatno Adi Prasetyo, it is stated that significant factors are Human Resources and Administration, while planning and procurement factors have positive effect on the level of budget absorption. It also has the similarities to this research in which the variables researchers used were mostly not significant to the accumulation of budget absorption at the end of 2013 by the Local Government of Pekalongan City. In addition, if it is seen from the value of R square or the determination coefficient, R-square value is relatively small; only 45.8%. It means that there are so many other independent variables (X) that can give effect on the accumulation of budget absorption. The results are not in line with the results of previous studies conducted by Sukadi in which his research results indicate that there are four independent variables which have significant effect on the accumulation of budget absorption at the end of the fiscal year. The four factors are the factors of budget planning, budget execution, procurement of goods and services, and internal of working unit.

When compared with the research conducted by Sukadi (2012), it has many differences with this research. They are associated with the variables the researchers used in which the majority of the independent variables (X) are not significant to the accumulation of budget absorption. Only the variable of document is significant. However, in the research conducted by Sukadi, there are four independent variables (X) which significantly affect the accumulation of budget absorption at the end of the fiscal year. The four factors are the factors of Budget Planning, Budget Implementation, Procurement and Internal of Work Unit. On the other hand, one independent variable does not significantly affect the accumulation of budget absorption at the end of the fiscal Year; it is the factor of others. In addition, when viewed in terms of the value of R square (determination coefficient), the value of R square on the case study by Sukadi is fairly large reaching 73.5%. The rest of 26.5% is explained by other variables out of the independent variables used. This is different from the value of R square on the research object the researchers conducted in Pekalongan City, wherein R square of 0.458 or 45.8%. Then, the rest of 54.2% is explained by other independent variables out of the model.

Regarding the difference in the statistical values of Sukadi's research results with the researchers, they are related to the following matters. First, the performance of the Treasury Office (KPPN) in the local government of Yogyakarta province is different from Pekalongan City Government because the programs of budget planning and budget implementation which are tighter at the Treasury Office (KPPN) of Yogyakarta. Then, it has the effect of the budget implementation that requires administrative prerequisites and the documents that must be complete. In other words, these factors lead to the available budget which is not absorbed optimally in the budget implementation program, so it accumulates significantly compared to the research object in Pekalongan City. Second, there is consistency in the samples used in the research of Sukadi in which the respondent samples gave recognition. It means that the budget implementation at the Treasury Office (KPPN) of Yogyakarta accumulates. It is different from the objects the researchers conducted on the sample of SKPD (Local Government Work Unit) in Pekalongan City Government. Not all SKPD (Local Government Work Unit) in Pekalongan have the accumulation of budget absorption at the end of the year. When examined from the budget realization of each SKPD (Local Government Work Unit), it is clear that large SKPD (Local Government Work Unit) have the accumulation of budget absorption at the end of the year. In addition, most respondents tend not to give recognition through the appropriate answers to the reality. This implies that the variables the researchers used are mostly not significant to the accumulation of budget absorption at the end of the year.

Based on the research conducted by Iwan Dwi Kuswoyo (2011), the research results also have differences with the research results the researchers conducted. The research conducted by Iwan used the instrument of explanatory factor analysis, and the research the researchers conducted used multiple linear regressions. The research results are also different from the research results the researchers conducted. Iwan's research emphasized the percentage of the factors affecting budget accumulation. On the other hand, the research the researchers conducted emphasized variable significance in which the majority of the variables are not significant to the accumulation of budget absorption.

Similarly, in the research conducted by Hendris Heriyanto and Retno Miliasih, both researchers concluded the results which are different from the research the researchers conducted. In the research conducted by Hendris Heriyanto, he also used explanatory

analysis. The research conducted by Retno Miliasih more likely used the instrument of qualitative descriptive analysis.

Theoretical and Managerial Implications

This research provides theoretical and managerial implications. Theoretically, this research contributes to the area of financial management (McGrail, 1986; Benjamin, et al, 2009). The contributions are in the form of an overview of the expenditure evaluation to Local Government which shows the accumulation of budget absorption at the end of the year. It is expected in the coming years to minimize the accumulated budget. Second, the research results can be used as in-depth study for local financial experts in formulating theories and policies that can be applied to any local government in order to minimize budget. Third, local financial experts need to develop a budget theoretical formulation that can be applied to each area so that the decision makers and budget implementers can make this theory as an ideal foothold in the realization of budget implementation. The managerial implementations that can be a positive feedback for Local Government are as follows:

1. Pekalongan City Government through the relevant officials should strive to coordinate among sections so that the implementation of the budget through programs/activities do not overlap.
2. Every employee in the internal of work unit should improve the inter-personal working effectiveness so that coordination among departments / fields can be implemented maximally in terms of local government financial management.
2. The quality of personnel in SKPD (Local Government Work Unit) Pekalongan City Government should be improved continuously, through education and training. This is related to local government financial management on the understanding of the rules of goods and services procurement process
3. The requirements of document and administration of programs / activities should be evaluated continuously in order to support budget implementation.
4. The relationship between executive and legislature should be maintained properly because budget implementation of program / activity must be recognized and get approval of the legislature.
5. The program/ activities that have been arranged in the budget work plan should be realistic and meet the elements of economic value. It means that it has positive effect on promoting economic activities and the implementation of sustainable development.
6. The budget planning process undertaken by the parties concerned must be relevant, realistic, and accompanied by rigorous studies or surveys within the framework of budget implementation.
7. The accumulation of budget absorption should be avoided using the discipline to the cash budget that has been set.
8. Policy makers are expected not to budget programs / activities which are sudden and in the form of physical activities to budget changes.
9. It is necessary to carry out an evaluation on the implementation of internal of work unit or Local Government Work Unit (SKPD) in Pekalongan.

Conclusion

The majority independent variables are not significant to the accumulation of budget absorption at the end of 2013 in Pekalongan City. There are only two significant variables to the accumulation of absorption at the end of the year; Human Resources and Document variables.

The value of R-square of 45.8% means that the contribution of the factors of Budget Planning (X_1), Budget Implementation (X_2), Internal of Work Unit (X_3), HR (X_4), Document (X_5), and Administration (X_6) to the accumulation of absorption at the end of the year (Y) in 2013 at 45.8%. The rest of 54.2% is explained by the independent variables out of the independent variables used in the regression.

Limitations and Recommendations for Future Research

The limitations of this research include: 1) The number of respondents was limited. 2) There are only a few number of independent variables which have significant effect to the dependent variables.

In the future, it is necessary to conduct similar research with more number of other independent variables. The number of samples will be more than the number of this research so that the future research will be able to get better results than this research.

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