IDLE FUNDS OF LOCAL GOVERNMENTS AND THE QUALITY OF FINANCIAL MANAGEMENT: A NARRATIVE LITERATURE REVIEW OF APBD ABSORPTION DETERMINANTS IN INDONESIA

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Abstract

The phenomenon of local government idle funds reaching IDR 234 trillion in the third quarter of 2025, coupled with APBD (Regional Budget) expenditure realization of only 65.3% of the approved ceiling as of November 2025, reflects complex structural problems in public financial management in Indonesia. This study aims to conduct a systematic narrative literature review to identify and synthesize the determinant factors affecting APBD absorption. A total of 15 articles obtained from the Emerald, Scopus, ScienceDirect, and Google Scholar databases—spanning publications from 2014 to 2026—were comprehensively reviewed. The analysis is grounded in Agency Theory (Jensen & Meckling, 1976) as the grand theory, complemented by perspectives from Public Choice Theory and Institutional Theory. The review identifies six clusters of determinant factors: (1) weaknesses in internal control systems and financial statement quality; (2) budget transparency and fiscal accountability; (3) quality of performance-based planning and budgeting; (4) procurement processes; (5) the capacity of regional financial apparatus; and (6) limitations of regional financial information systems. The phenomenon is further compounded by high dependence on central transfers, regulatory inconsistencies, and opportunistic behavior stemming from information asymmetry in the principal-agent relationship. These findings imply the need for simultaneous and systemic institutional reform to address the fiscal paradox of Indonesian local governments.

Keywords: Idle Funds; APBD Budget Absorption; Agency Theory; Fiscal Decentralization; Regional Financial Management

INTRODUCTION

Effective fiscal decentralization is a fundamental prerequisite for achieving the objectives of regional autonomy; yet a fundamental paradox persists in Indonesia: the greater the funds transferred to regional governments, the greater the accumulation of unabsorbed funds. Data from the Ministry of Finance of the Republic of Indonesia, as reported by CNBC Indonesia (2025), reveals that regional government funds deposited in banking institutions as of the end of the third quarter of 2025 reached IDR 234 trillion—an increase of 12.17% from the same period in the previous year. Total APBD expenditure realization across all regions through November 2025 reached only 65.3% of the total ceiling of IDR 1,389.3 trillion, representing a year-on-year decline of 12.9%. These figures are not mere fiscal statistics—they are a reflection of systemic failure to transform budget allocations into tangible development outcomes. Situmorang et al. (2025) characterize this condition as a manifestation of systemic inefficiency within the planning, implementation, and oversight mechanisms of Indonesia's fiscal decentralization framework.

In the global context, various studies confirm that fiscal decentralization carries potential benefits alongside non-trivial risks. Brennan and Abímbọ́lá (2023) and Song and Zhao (2023) assert that fiscal transfers to regional governments do not automatically improve public service quality without adequate institutional capacity and governance. Poniatowicz et al. (2024) demonstrate that the design of the fiscal decentralization framework is decisive in determining the extent to which regional financial autonomy can promote expenditure efficiency. Conversely, Rodríguez-Pose and Vidal-Bover (2022) warn that unfunded mandates—where regional governments are burdened with responsibilities without adequate resources—can disrupt local fiscal balance and impair budget absorption capacity. This phenomenon is highly relevant to the Indonesian context, where 88% of regional governments depend on central transfers yet struggle to disburse them efficiently (Munawir et al., 2025).

The suboptimal budget absorption in Indonesia is not a new issue. Sjahrir et al. (2014) identified administrative overspending influenced by local political factors as a structural obstacle since the early years of decentralization. Lewis (2016) even found perverse effects of abundant fiscal resources: rather than improving service quality, surplus funds actually create inefficient behavior among regional apparatus. This situation is compounded by regulatory inconsistencies which, as noted by Lobubun et al. (2022), complicate objective assessment of regional financing needs and create fiscal gaps between capacity and actual requirements. Furthermore, Elvira et al. (2023) identify that Indonesia, similarly to the Philippines, faces structural challenges in harmonizing decentralization regulations that directly hinder regional expenditure realization. The situation is further complicated by the practice of budget ratcheting commonly observed in Indonesian regional governments, in which the following period's budget is formulated based on the previous year's realization without accounting for uncertainty in internal and external conditions. Adiputra et al. (2026), using data from 34 provinces for the 2019–2023 period, found that while Local Own-Source Revenue (PAD) (β=0.158) and Equalization Funds (β=0.787) have a significant positive effect on capital expenditure allocation, the practice of budget ratcheting weakens both relationships—indicating that incrementalism in budgeting hinders optimal budget absorption.

Paranata (2022) introduces a more alarming dimension: budget leakage in some Indonesian regions has been reported to reach as high as 40% of total allocations. This reflects not only technical inefficiency but also deeper governance failures. Abdullah et al. (2022) affirm that accountability in regional government financial reporting requires comprehensive reform—spanning budgeting, financing, accounting, and auditing systems—to ensure the integrity of public fund management. Meanwhile, Sugiyarto et al. (2025), using public expenditure performance data from economically lagging districts, found that performance gaps in public spending across regions in Indonesia remain extremely wide and require differentiated policy interventions.

Within the framework of Agency Theory as formulated by Jensen and Meckling (1976), all of the above pathologies can be understood cohesively as dysfunctions in the principal-agent relationship within public financial governance. The central government, as the principal, delegates public fund management to regional governments as agents. When agents fail to spend budgets optimally, the literature identifies this as: moral hazard (agents disregarding post-delegation responsibilities), adverse selection (appointment of incompetent agents), and budgetary slack (budget inflation for private benefit)—all of which ultimately result in the accumulation of idle funds, budget leakage, and low APBD realization (Marwan et al., 2017; Ratmono & Darsono, 2022). Data discrepancies between Bank Indonesia records and actual regional cash holdings, as revealed in the controversy over dormant funds in West Java (CNBC Indonesia, 2025), constitute concrete evidence of the information asymmetry that undermines the principal's oversight capacity. Rasmini and Masdiantini (2018) have confirmed the relevance of Agency Theory in the context of Indonesian fiscal decentralization, particularly in explaining the relationship between internal control systems, accountability, and regional government audit opinions.

Beyond Agency Theory, the Public Choice Theory perspective provides additional insights into how political decision-making processes affect resource allocation and contribute to deviations from optimal public goods provision (Elvira et al., 2023). Meanwhile, Institutional Theory explains how norms, rules, and organizational structures within Indonesia's bureaucracy shape regional government behavior in budget implementation and absorption (Ningsih, 2016). This multi-theoretical approach enables a more comprehensive analysis of the factors affecting regional budget absorption, moving beyond the mere identification of technical and administrative deficiencies toward an understanding of structural and behavioral determinants (Makanga et al., 2024).

Based on the foregoing background, this study aims to conduct a systematic narrative literature review to identify, map, and synthesize the determinant factors of APBD absorption in Indonesia. The contribution of this research lies in providing an integrative conceptual framework linking dispersed empirical findings in the literature with the contemporary phenomenon of local government idle funds, as well as formulating a relevant research agenda for both academics and policymakers.

RESEARCH METHOD

This study employs a systematic narrative literature review approach. This method was selected because it enables in-depth synthesis across studies, identification of cross-contextual patterns, and the formulation of a comprehensive research agenda (Snyder, 2019).

The narrative approach provides analytical flexibility to integrate studies with diverse methodological designs into a single coherent synthesis framework—a significant advantage given the methodological diversity found in the literature on regional budget absorption.
Article searches were conducted across four reputable databases: Scopus, ScienceDirect, Emerald Insight, and Google Scholar, covering publications from 2014 to 2026. The keyword combinations used included: "budget absorption" AND "local government"; "idle cash" AND "government"; "fiscal decentralization" AND "spending performance"; "penyerapan anggaran" AND "APBD"; "realisasi anggaran" AND "pemerintah daerah"; "budget transparency" AND "financial sustainability"; and "performance-based budgeting" AND "local government" AND "Indonesia".

Inclusion criteria comprised: (1) articles published in Scopus-indexed, Sinta-indexed, or equivalently reputable journals; (2) addressing issues of budget absorption, idle funds, APBD realization, budget transparency, or regional financial management; (3) employing theories relevant to the public sector context; and (4) providing findings that can be synthesized within the Agency Theory framework. Editorials, book chapters, and articles lacking methodological clarity were excluded. From this selection process, 15 articles met all inclusion criteria. Data were extracted using a mapping table covering: article identity, method, key findings, and relevance to the research topic. Additional references from international literature were used to enrich the context and theoretical grounding in the introduction and discussion sections.

RESULTS AND DISCUSSION

Based on the systematic selection and extraction process, 15 articles meeting the inclusion criteria were obtained, spanning publications from 2014 to 2026. Eleven articles are sourced from Scopus-indexed or internationally reputable journals, while four articles are from reputable national journals relevant to the local Indonesian context, particularly Buleleng Regency and Bali. All articles are mapped in Table 1 below.

Table 1.
Literature Mapping Results

No.	Author & Year	Title/Topic	Key Findings	Relevance
1	Ningsih (2016)	Antecedents of Non-Unqualified Opinions of Local Governments Financial Statements – East Java	Of 301 LGFSs (2006–2013), only 14.95% received unqualified (WTP) opinions. Capital and Goods/Services Expenditure were the largest accounts causing non-WTP opinions. Weak ICS was identified as the root cause.	Weak ICS directly contributes to the inability to realize expenditure on time → accumulation of idle funds.
2	Adiputra, Utama & Rossieta (2018)	Transparency of Local Government in	WTP opinion has a significant positive effect on local government	LGFS quality is key to transparency;

		Indonesia – 34 provinces 2016	transparency. Political environment promotes information disclosure. Asset size and accrual-based SAP were not significant.	transparency drives APBD absorption efficiency and minimizes idle funds.
3	Cuadrado-Ballesteros & Bisogno (2022)	Budget Transparency and Financial Sustainability – 110 countries 2008–2019	Budget transparency (Open Budget Index) has a significant positive effect on fiscal balance, short-term debt reduction, and economic growth.	Low APBD transparency contributes to fiscal inefficiency, including idle fund accumulation.
4	Khoo, Rahman & Kamil (2024)	Influence of Budgeting Process on Budget Performance – Malaysia	Budget participation and budget implementation-evaluation significantly affect budget performance. Implementation-evaluation is the strongest predictor (β=1.372). Malaysia recorded RM67.12 billion in unabsorbed budget (2018).	Weak implementation and evaluation stages are critical factors hindering expenditure realization – analogous to Indonesia.
5	Roberto, Grossi, Guthrie & Mattei (2025)	Development of New Public Financial Management Scholarship – SLR of 325 Scopus articles 1999–2024	Performance-based budget reforms frequently fail due to implementation gaps. Accountability fragmentation and limited digital financial information systems hinder real-time budget monitoring.	Structural failures in PBB implementation contribute to low expenditure realization quality and SiLPA/idle fund accumulation.
6	Sofyani (2018)	Performance-Based Budgeting & Performance Measurement System – Special Region of Yogyakarta	PBB has a significant positive effect on budget absorption (t=8.663). IS limitations impede PBB (t=2.263 negative). Education level has a positive effect (t=2.575). PBB is more driven by coercive regulatory	PBB ineffectiveness is a structural factor in low APBD realization; poor IS exacerbates this condition.

			pressure than normative awareness.	
7	Widanaputra & Mimba (2014)	Participative Budgeting & Budgetary Slack – Bali Province	Career uncertainty moderates the relationship between participative budgeting and budgetary slack (sig.=0.036). Job security encourages apparatus to create slack to achieve targets more easily.	Budgetary slack from opportunistic apparatus behavior contributes to SiLPA/idle funds that do not reflect actual fiscal conditions.
8	Digdowiseiso (2022)	Pattern of Absorption of Provincial Budget – DKI Jakarta 2018–2020	DKI SiLPA: IDR 1.20T (2018), IDR 9.75T (2019), IDR 5.17T (2020). Procurement of goods/services (β=0.430) and budget execution (β=0.414) were significant. Planning and administration were not significant. R^2=0.700.	Delays in goods/services procurement are the primary operational factor causing idle funds in regional cash accounts.
9	Supraptana & Sujana (2023)	Asta Brata Moderates Budget Planning, Experience & Regulation – Udayana University BLU	Budget planning has a significant positive effect (β=0.489; t=4.491). Repeated budget revisions (8–10x/year) cause activity accumulation at year-end. Asta Brata leadership not significant.	Planning weaknesses—exacerbated by repeated revisions—are a primary factor in funds not being optimally absorbed and accumulating as idle funds.
10	Udayanti & Werastuti (2025)	Effectiveness of Financial Management & Budget Realization – DPMPTSP Buleleng Regency 2019–2023	Effectiveness deteriorated: 97.78% (2019) → 79.40% (2023, less effective). Efficiency declined drastically (>100% in 2021–2023). Constraints: low HR quality, educational and age factors, limited technical assistance.	Weak budget-drafting HR directly impedes APBD absorption capacity and potentially accumulates idle funds.

11	Taruni & Diatmika (2025)	Expenditure Budget Realization – BAPPEDA Badung Regency 2020–2024	Average effectiveness 86.53% (fairly effective) – unabsorbed budget remains. Average efficiency 68.27% (less efficient). Average expenditure growth −5.06%. Capital expenditure very low (1.72%).	Dominance of operational expenditure and minimal capital expenditure indicate a suboptimal budget orientation, potentially enlarging idle funds.
12	Suarsini & Yudantara (2024)	Expenditure Budget Realization – Disdukcapil Buleleng Regency 2018–2021	Expenditure variance was always favorable (realization < budget). Fluctuating growth: +23.37% (2019) → −43.07% (2020) → +32.47% (2021). Efficiency 92.8%–98.50% (less efficient). Constraints: imperfect SIPD, network disruptions, cash limitations.	SIPD imperfections and digital infrastructure hinder APBD absorption at the SKPD level directly.
13	Dewi, Werastuti & Diatmika (2026)	Growth, Harmony & Efficiency Ratios of Expenditure – Buleleng Regency 2020–2024	Average expenditure growth 5.54% (fluctuating). Operational expenditure dominant (80.29%). Capital expenditure only 9.62%. Average efficiency 95.68% (less efficient); 2024 reached 102.93%. Factors: pandemic refocusing, mandatory spending, dependence on central transfers.	Dominance of operational expenditure and central transfer dependence narrow fiscal space and enlarge the potential for idle fund accumulation.
14	Nirwayadhi & Dewi (2025)	Budget Planning, Execution & Procurement on Budget Absorption –	Budget planning is significant (sig.=0.049). Procurement of goods/services is the strongest (sig.=0.000; β=0.539). Execution not significant (sig.=0.108).	Planning and procurement weaknesses are the primary barriers to budget absorption, not

		OPD Buleleng Regency	R^2=0.712. SiLPA consistently IDR 62–68 billion/year.	solely formal execution – directly relevant to the idle fund phenomenon.
15	Saputra & Sujana (2021)	Performance-Based Budgeting, Preventive & Detective Oversight on Effectiveness of Budget Control – OPD Buleleng Regency	PBK (β=0.319), preventive oversight (β=0.320), detective oversight (β=0.205) all significant. Preventive oversight most effective in preventing deviations. R^2=25.70%.	Weak PBK and limited oversight are the root causes of low budget absorption, resulting in SiLPA and idle fund accumulation.

Source: Compiled from various research article

Discussion

The synthesis of the 15 reviewed articles, enriched by relevant international literature, reveals that the phenomenon of local government idle funds and low APBD absorption in Indonesia is a multidimensional problem rooted in systemic institutional failures. Within the framework of Agency Theory (Jensen & Meckling, 1976), all identified determinant factors converge on the dysfunction of the principal-agent relationship, manifested in information asymmetry, opportunistic behavior, and failures in oversight mechanisms (Ratmono & Darsono, 2022). This phenomenon does not operate in isolation but functions within a fiscal decentralization ecosystem that—according to Gadenne and Singhal (2014)—is inherently vulnerable to inefficiency when local institutional capacity is inadequate. The fiscal paradox identified by Lewis (2016) provides the relevant macro context: abundant fiscal resources do not always translate into better expenditure performance.

The first and most fundamental cluster concerns weaknesses in the internal control system (ICS) and the quality of regional financial statements. Ningsih (2016) found that of 301 local government financial statements (LGFSs) in East Java during 2006–2013, only 14.95% received unqualified opinions (WTP), with ICS weaknesses as the primary root cause—particularly in Capital Expenditure and Goods/Services Expenditure accounts. From an Agency Theory perspective, ICS weaknesses create moral hazard gaps: without adequate oversight mechanisms, budget management apparatus behaves opportunistically, tending to delay expenditure processes to minimize audit risk. Muhtar et al. (2023) reinforce this finding by empirically demonstrating that internal control weaknesses correlate positively with corruption rates in Indonesian regional governments. Saputra and Sujana (2021) show that preventive oversight—conducted before activities commence—is the most effective instrument in preventing deviations (β=0.320), more effective than detective oversight (β=0.205). Nurdiono et al. (2016) complement this perspective by finding that budget proportions and non-financial factors jointly influence LGFS audit outcomes, indicating that

ICS quality interacts with other contextual variables in determining the quality of regional financial reporting.

The second cluster that consistently emerges in the literature is budget transparency and fiscal accountability. Adiputra, Utama, and Rossieta (2018) demonstrate that financial statement quality—proxied by unqualified audit opinions—has a significant positive effect on regional government transparency, while high political competition encourages regional heads to increase information disclosure as a legitimacy strategy. Cuadrado-Ballesteros and Bisogno (2022), using panel data from 110 countries over 2008–2019, demonstrate that budget transparency has a significant positive effect on government financial sustainability across four dimensions: fiscal balance, short-term debt reduction, revenue enhancement, and economic growth. This is consistent with the finding of Adriana and Ritonga (2018) that local financial management transparency in Java through official websites remains very limited, reflecting low institutional commitment to public accountability. In a broader context, Leroy et al. (2022), through a systematic literature review, found that fiscal transparency at the national level remains a developing area of research, while Zarei et al. (2022) identify that national cultural dimensions—measured using GLOBE cultural dimensions—significantly moderate the relationship between budget transparency and performance management effectiveness, a finding relevant for understanding variation in transparency behavior across regions in Indonesia.

The third structurally significant cluster is the quality of budget planning and the implementation of performance-based budgeting (PBB). Sofyani (2018) empirically demonstrated using SEM-PLS that PBB effectiveness has a significant positive effect on budget absorption (t=8.663), yet found that PBB implementation in regional governments is more driven by coercive regulatory pressure than normative awareness—producing fake procedural compliance that lacks substantive meaning. Roberto et al. (2025), in a 25-year review of NPFM literature, confirm that the failure of performance-based budget reform due to implementation gaps is a global phenomenon. Ritonga and Buanaputra (2023) add a contextual dimension unique to Indonesia: the re-budgeting process during the COVID-19 pandemic exposed the complexity of budget revision when central government directives were misaligned with the operational capacity and reality of regional governments. Supraptana and Sujana (2023) quantify the impact: repeated budget revisions of up to 8–10 times within a single fiscal year cause a structural accumulation of activities at year-end. This phenomenon is closely related to the practice of budget ratcheting identified by Adiputra et al. (2026) in their study of 34 provincial governments in Indonesia. The study found that regional governments' tendency to use the previous year's budget as the primary reference for the following year's budget—without accounting for external and internal uncertainty—creates allocation distortions stemming from the agent's opportunistic behavior (Eisenhardt, 1989 as cited in Adiputra et al., 2026). Within the Agency Theory framework, this incrementalist behavior is a manifestation of the bounded rationality of apparatus who, rather than optimizing allocation based on actual needs, rely on historical figures to justify budgets—a condition that structurally hinders optimal budget absorption. Nkundabanyanga et al. (2022) reinforce this finding from the Ugandan context, demonstrating that contextual factors—including budgeting instructions from the center—significantly influence the behavior of budget actors at the local level, a dynamic that closely parallels conditions in Indonesia.

The fourth cluster is the procurement of goods and services, which consistently emerges as the strongest operational factor in the literature. Nirwayadhi and Dewi (2025) found that goods/services procurement has the strongest influence on budget absorption (β=0.539; sig.=0.000), far exceeding planning or formal execution. Digdowiseiso (2022) confirms similar findings from DKI Jakarta, where procurement is a significant predictor of absorption (β=0.430) with SiLPA reaching IDR 9.75 trillion in 2019. From a comparative perspective, Khoo, Rahman, and Kamil (2024) identified a similar pattern in Malaysia: weak implementation and budget evaluation stages (β=1.372) constitute the most critical barrier, with RM67.12 billion in unabsorbed budget in 2018. Bastian et al. (2022) add a cognitive dimension often overlooked: excessive caution among local officials facing uncertainty—including ambiguity in procurement regulations—creates systematic delays in budget execution that ultimately contribute to idle fund accumulation. Daud and Soleman (2020) complement this perspective by showing that the effect of fiscal decentralization on economic growth is highly dependent on regional governments' capacity to manage procurement and capital expenditure efficiently.

The fifth cross-dimensional cluster is the capacity of regional financial apparatus human resources. Udayanti and Werastuti (2025) found that the low quality of budget-drafting HR is the primary constraint causing expenditure effectiveness at DPMPTSP Buleleng Regency to decline from 97.78% in 2019 to only 79.40% in 2023. Sofyani (2018) complementarily found that apparatus education level has a positive effect on PBB effectiveness (t=2.575). Setyowati et al. (2023) extend this perspective: HR capacity in budget management relates not only to technical competence but also to the ability to leverage technology appropriately to improve budgeting efficiency. MEDIATY et al. (2025) provide the most recent empirical evidence that HR competence significantly moderates the relationship between internal control systems and financial reporting quality in Indonesian regional governments—confirming that HR is not merely an administrative input, but a critical moderating variable that determines the effectiveness of the entire financial management system. Widanaputra and Mimba (2014) add a behavioral dimension: career uncertainty moderates the relationship between participative budgeting and budgetary slack in Bali Province, where apparatus who feel secure in their positions actually tend to create budgetary slack—an agent's opportunistic behavior that directly reduces budget absorption quality and potentially produces idle funds that do not reflect the actual regional fiscal condition.

The sixth cluster, increasingly relevant in the era of public governance digitalization, concerns the limitations of regional financial information systems. Suarsini and Yudantara (2024) identify that imperfections in the Regional Government Information System (SIPD) and network infrastructure disruptions directly impede budget absorption at the SKPD level. Roberto et al. (2025) reinforce this finding from a global perspective: limitations in digital financial information systems constitute a structural barrier to real-time budget implementation and monitoring. Lino et al. (2023), using data from Brazil, found that public sector audit digitalization significantly affects local government budget planning—a finding implying the great potential of digitalization in overcoming absorption barriers. Limerick et al. (2023) further identify that effective implementation of Regional Financial Management Information Systems (RFMIS) can significantly improve transparency, accuracy, and the efficiency of financial operations. The data discrepancy between Bank Indonesia records and actual regional cash holdings in the controversy over dormant funds in West Java (CNBC Indonesia, 2025) is the most concrete manifestation of this problem: without adequate information system integration among regional governments, regional banks, and supervisory institutions, information asymmetry will continue to constitute a structural barrier to improvements in budget absorption.

Above these six clusters, there is one macro contextual factor that frames the entire picture: structural dependence on central fiscal transfers. Dewi, Werastuti, and Diatmika (2026) found that Buleleng Regency has high dependence on central transfer funds that affect regional fiscal stability—a condition reflecting what the literature terms vertical fiscal imbalance (Li et al., 2021). Munawir et al. (2025) quantify the scale of this problem nationally: 88% of regional governments depend on central transfers yet struggle to disburse them efficiently. Chuluunbaatar et al. (2024) identify that high fiscal dependence can create a soft budget constraint—a condition in which regional governments become excessively reliant on central transfers, thereby weakening incentives to optimize local revenues and expenditure efficiency. In this context, what Dick-Sagoe et al. (2025) term the flypaper effect—where transferred funds entering regional treasuries are less effectively utilized compared to local own-source revenues—provides a partial explanation for why IDR 234 trillion in regional funds can remain deposited in banks while development needs continue to press.

Taken together, these six clusters of determinant factors, along with the context of fiscal transfer dependence, interact to form what can aptly be termed Indonesia's regional fiscal paradox. Taruni and Diatmika (2025) capture the essence of this paradox through findings at BAPPEDA Badung Regency: average expenditure effectiveness of only 86.53% with negative expenditure growth (−5.06%) reflects an institutional tendency to maintain suboptimal expenditure patterns from year to year. Within the Agency Theory framework, all of these conditions are the predictable consequence of weak bonding, monitoring, and incentive alignment mechanisms (Jensen & Meckling, 1976) between the principal (central government and the public) and the agent (regional governments and their apparatus). Marwan et al. (2017) have confirmed in the Banten context that the Agency Theory perspective in regional budget formulation directly affects budget performance and fiscal decentralization. The most urgent policy implication, as concluded by Pramono (2023), is the strengthening of audit systems and institutional governance to prevent deviations and improve the integrity of regional public fund management.

CONCLUSION

This narrative literature review identifies six clusters of determinant factors that consistently affect APBD absorption and contribute to the accumulation of local government idle funds in Indonesia: (1) weaknesses in internal control systems and financial statement quality; (2) low budget transparency and fiscal accountability; (3) ineffectiveness of performance-based planning and budgeting; (4) obstacles in the procurement of goods and services; (5) limited capacity of regional financial apparatus; and (6) imperfections in regional financial information systems. These factors operate within a framework of structural dependence on central fiscal transfers that creates soft budget constraints and flypaper effects, weakening the incentives for efficient budget management. Within the Agency Theory framework, the entirety of these conditions converges on a dysfunction of the principal-agent relationship manifested through information asymmetry, opportunistic behavior, and failures in oversight mechanisms. The phenomenon of IDR 234 trillion in idle funds and APBD expenditure realization of only 65.3% is not merely a matter of budgetary shortfall—it is a reflection of institutional failure that is systemic and multidimensional.

This study has several limitations. First, it does not employ a formal SLR protocol such as PRISMA, meaning selection bias cannot be fully eliminated. Second, a substantial proportion of articles focus on the local contexts of Bali and Buleleng Regency, thus generalization to all of Indonesia requires caution. Third, the review is descriptive-narrative in nature and does not conduct quantitative testing of the theoretical model constructed.

Four future research agendas are recommended: (1) quantitative empirical studies using multi-province panel data that simultaneously test all six clusters of determinant factors using SEM-PLS or panel data regression, including regional fiscal capacity moderating variables; (2) experimental or quasi-experimental studies measuring the impact of SIPD digitalization on accelerating budget realization; (3) comparative research across regional typologies—advanced vs. lagging; Java vs. outer Java; high vs. low transfer dependence—to identify contextual factors moderating the relationship between determinants and budget absorption; and (4) longitudinal studies exploring the long-term impact of PBK reform, budget transparency, and ICS strengthening on reducing the accumulation of idle funds at the national level.

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