

The analysis of budget realization in the Indonesian Ministry of Trade before, during and after pandemic of Covid-19

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Abstract

This study aims to analyze the effectiveness and efficiency of budget realization at the Indonesian Ministry of Trade on 2017-2022 budget. This research is a quantitative research. Data sources are secondary data and primary data in the form of a Budget Realization Report (LRA) and also in the form of interviews. Data analysis used by calculating the ratio of effectiveness and efficiency and also processing interview data. The result of the study show that the criteria for effectiveness of expenditure realization in 2017-2019 was quite effective, then in period during and after pandemic, shows that the criteria was effective. Efficiency criteria of expenditure realization in the period before pandemic (2017-2019) shows different result. In 2017, the criteria was very efficient, then become quite efficient in 2018, and become efficient in 2019. In the period during and after pandemic, the criteria become efficient.

Keywords: Effectiveness, Efficiency, Budget Realization

INTRODUCTION

Early 2020, precisely in March 2020, Indonesia experienced the COVID-19 pandemic, which had impacts on various aspects of life (Azizah, 2022). The COVID-19 pandemic was also experienced by other countries worldwide. The health aspect was the first and most significantly affected by the pandemic. The health sector became the forefront focus in the battle against the massive spread of the virus in various countries. Besides the health sector, the economic sector also experienced significant impacts. This was due to government-imposed restrictions aimed at curbing the spread of the COVID-19 virus, which had repercussions on the economic activities of the nation. Both individuals and institutions were affected by activity restrictions in order to minimize the spread of COVID-19, leading to a slowdown in economic activities.

The impacts arising from the pandemic need to be promptly addressed to prevent further deterioration in various sectors. The Indonesian government took swift action to address the issues resulting from this pandemic by strengthening the legal foundation for handling the COVID-19 pandemic. One of the outcomes of these efforts is Law number 2 of 2020 concerning the Determination of the Replacement Regulation for Law number 1 of 2020 concerning State Financial Policies and Financial System Stability for Handling the COVID-19 Pandemic. As part of the pandemic response, this regulation includes several new policies and even amends some articles of laws and regulations related to state finance and health. One aspect that has changed is Law number 33 of 2004 regarding regional autonomy as a form of decentralization in its implementation funded by the Regional Revenue and Expenditure Budget.

To determine whether the management of the Regional Revenue and Expenditure Budget has been carried out effectively, it is necessary to measure the extent to which the absorption of the APBD has occurred. According to (Mardiasmo, 2009), the evaluation of the performance of public managers is based on the amount achieved or absorbed from the budget target. The higher the budget utilization, the better the government's performance. Budget absorption, especially in expenditure, should be effective and efficient. In budget realization, ineffectiveness refers to a low level of expenditure

absorption, while inefficiency refers to the inaccuracy of expenditure allocation. Effectiveness and efficiency serve as benchmarks for assessing the performance of regional spending.

Mardiasmo (2009) defines efficiency as the achievement of maximum output with a specific input or the use of the minimum input to achieve a specific output. In its calculation, efficiency is the ratio of output to input, which is then linked to performance standards or set targets. The efficiency ratio describes the comparison between the costs incurred to generate income and the actual income realized (Mahsun, 2013). According to the regulation Permendagri No. 13 of 2006, efficiency is a measure of the use of goods and services purchased and used by government organizations to achieve the goals of the government organization in attaining specific benefits.

Previous study on the measurement of the effectiveness and efficiency of budget absorption and management has been conducted extensively, such as the study by Antasena et al (2023), which investigated the efficiency and effectiveness of financial management in Sikka Regency during the period 2016-2020. Furthermore, the research by Hendrawan & Syachbrani (2023) stated that the financial performance of Enrekang Regency government during the years 2017-2019 experienced a decline, as seen from the effectiveness and efficiency of revenue and expenditure budgets. Hanum *et al* (2023) found that the expenditure budget for the North Sumatra Provincial Government in 2019-2021 is included in the criteria for being effective and efficient. Another study by Oka et al. (2023), measuring the effectiveness and efficiency levels in 2017 at the Regional Development Planning Agency of Bali Province from 2017 to 2021, found that budget absorption was fairly effective, while the efficiency level was highly efficient. Several studies on the effectiveness and efficiency of budget allocation in government agencies have not observed the impact of COVID-19. Therefore, in this study, we will examine the level of effectiveness and efficiency of budget absorption, taking into account the impact of the COVID-19 pandemic.

LITERATURE REVIEW AND HYPHOTESIS DEVELOPMENT

Literature Review

Budget Realization Budget

The budget realization report is a financial statement that provides information for predicting the economic resources to be received and expended to fund the activities of the central and regional government in the upcoming period by presenting the report cooperatively (Sari, Mintarti, & Pattisahusiwa, 2018). This report depicts a comparison between the budget and its realization within a reporting period. The information obtained from this this report includes government financial activities that demonstrate compliance with the Regional Revenue and Expenditure Budget by representing a summary of sources, allocations, and the use of economic resources managed by the central/regional government during a reporting period (Rasdianto, 2013)

Regional Revenue and Expenditure Budget

Regional Revenue and Expenditure Budget is the annual financial plan of the local government discussed and approved by the Regional People's Representative Council (Hendrawan & Syachbrani, 2023). The Regional Revenue and Expenditure Budget is formulated with the aim of aligning macroeconomic policies and available resources, allocating resources appropriately in accordance with government policies, and preparing conditions for the effective management of the budget. To assess the achievement of these objectives, an analysis of the realization of the Regional Revenue and Expenditure Budget is necessary. In conducting this analysis, financial analysis methods can be employed, such as using various ratios with financial data sourced from the Regional Revenue and Expenditure Budget. The ratios utilized in this study are:

1. Effectivity Ratio

Effectiveness is the relationship between output and goals (Mahmudi, 2015). An organization, program, or activity is considered more effective when the contribution of output to goal

achievement is greater. If an organization has successfully achieved its goals, then it is operating effectively.

2. Efficiency Ratio

Efficiency is the comparison between the input used and the output produced (Abdul H. & Muhammad, 2019). Meanwhile, according to Deddi & Ayuningtyas (2010), efficiency is the relationship between the goods and services (Output) produced by an activity or operation and the resources (input) used. According to Mahmudi (2015), the realization of budget expenditure can be considered efficient when the local government maximizes output or spends resources carefully (spending well).

METHODS

This study using a quantitative descriptive method. The type and resources of research data are obtained from secondary data in Indonesian Ministry of Trade by collecting data and observation. This study examines the budget realization reports per year using efficiency and effectiveness ratios from 2017-2022. The period is divided into 2017-2019 (period before pandemic COVID-19), 2020-2021 (during pandemic COVID-19), and 2022 (period after pandemic COVID-19).

Operational Variabel

This study was conducted using the analysis of effectiveness and efficiency ratios. According to Prasetyo & Nugraheni (2020), the percentage level of effectiveness can be found out using the effectiveness ratio measurement. The effectiveness ratio can be measured using the following formula:

$$\text{Effectivity} = \frac{\text{Realization of Expenditure Budget}}{\text{Expenditure Budget}} \times 100\%$$

Based on the result of the effectiveness ratio, it is classified into the criteria for the level of budget effectiveness according to the Minister of Home Affairs decision number 690.900-327 in 1996, as follows:

- a. The result of calculation >100% : very effective
- b. The result of calculation 90%-100% : effective
- c. The result of calculation 80%-90% : quite effective
- d. The result of calculation 60%-80% : less effective
- e. The result of calculation < 60% : ineffective

According to Prasetyo & Nugraheni (2020), to calculate the efficiency of budget absorption, it is necessary to compare the budget allocated for departmental expenditures with its actual realization. Meanwhile, the efficiency ratio can be measured using the following ratio:

$$\text{Efficiency} = \frac{\text{Realization of Direct Expenditure Budget}}{\text{Realization of Expenditure Budget}} \times 100\%$$

The criteria for efficiency of expenditure budget according to the Minister of Home Affairs decision number 690.900-327 in 1996, as follows:

- a. The result of calculation >100% : not efficient
- b. The result of calculation 90%-100% : less efficient
- c. The result of calculation 80%-90% : quite efficient
- d. The result of calculation 60%-80% : efficient
- e. The result of calculation < 60% : very efficient

RESULTS AND DISCUSSIONS

The calculation of the effectiveness level of budget implementation for the years 2017-2022 can be seen in the following table 1.

Table 1. The Calculation of Effectiveness of Expenditure Realization at Indonesian Ministry of Trade

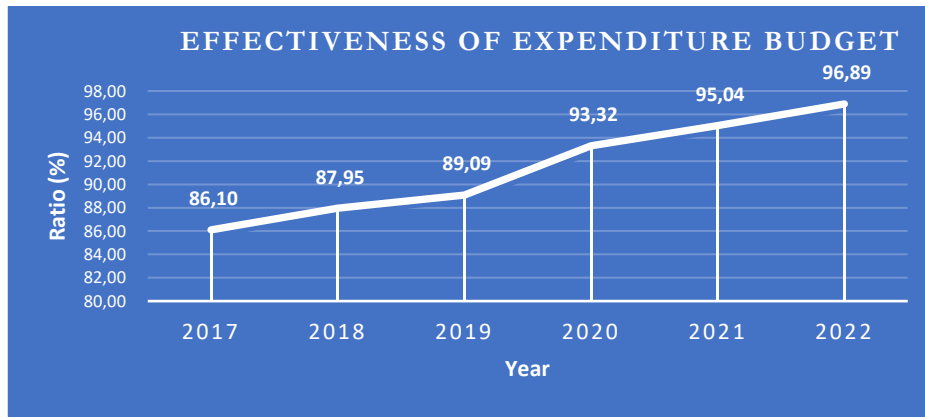
Year	Expenditure Budget Realization	Expenditure Budget	Difference	Effectiveness of Expenditure Budget	Criteria
	(Rp)	(Rp)	(Rp)	(%)	
<i>Before pandemic COVID-19</i>					
2017	2,945,776,916,162	3,421,243,580,000	475,466,663,838	86.10	Quite Effective
2018	3,701,829,263,271	4,209,118,299,000	507,289,035,729	87.95	Quite Effective
2019	3,246,524,101,571	3,643,998,969,000	397,474,867,429	89.09	Quite Effective
<i>During Pandemic COVID-19</i>					
2020	3,244,652,636,286	3,477,064,284,000	232,411,647,714	93.32	Effective
2021	2,981,798,497,160	3,137,478,648,000	155,680,150,840	95.04	Effective
<i>After Pandemic Covid-19</i>					
2022	2,077,632,049,311	2,144,324,384,000	66,692,334,689	96.89	Effective

Resource: processed data, 2023

Based on the calculation of the budget absorption effectiveness level shown in table 1, it is known that:

- a. Simultaneously, on the period before pandemic (2017 to 2019) shows that the budget absorption indicated in the table shows that it falls within the criteria of quite effective (80% - 90%). In the years 2017-2019, the effectiveness level of budget absorption increased annually, starting at 86.10% in 2017, rising to 87.95% in 2018, and ultimately reaching 89.09% in 2019. This increase indicates an improvement in the effectiveness of budget absorption, as the contribution of output to goal achievement has been on the rise. Despite still being at a quite effective level.
- b. During the pandemic period (2020-2021), the effectiveness level increased to become effective (90%-100%). In the years 2020-2021, the effectiveness level continued to rise. This is evident from the calculation results of the effectiveness ratio shown in 2021, amounting to 95.04%, which is higher than the 93.32% recorded in 2020. During this period, the Ministry of Trade has processed budget absorption more effectively, as seen in the increased contribution of output to goal achievement compared to the pre-COVID-19 pandemic period. However, when looking at the actual budget realization, the overall achievement during the 2020-2021 period experienced a decline compared to the years 2017-2019. This is due to adjustments made in response to the conditions during the COVID-19 pandemic, such as modifications to capital expenditures. In 2020 and 2021, there were realizations of capital expenditures for equipment and machinery to handling the COVID-19 pandemic.
- c. On the period after pandemic (2022), the effectiveness level reached the effective range (90%-100%). In this year, the effectiveness level continued to increase. it shown by the effectiveness ratio calculation results shown in 2022, which amounted to 96.89%, higher than the ratios during the pandemic in 2020-2021 at 93.32% and 95.04%. During this period, the Ministry of Trade has enhanced budget absorption more effectively, as indicated by the increased efficiency ratio compared to previous years. In this period, there is no longer a budget allocation for capital expenditures related to COVID-19 response.

The changed of budget absorption effectiveness ratio from 2017-2022 at the Ministry of Trade can be seen in graph 1.



Graph 1. Effectiveness of Expenditure Budget 2017-2022

The calculation of the efficiency level of budget implementation for the years 2017-2022 can be seen in the following table 2.

Table 2. The Calculation of Efficiency of Expenditure Realization at Indonesian Ministry of Trade

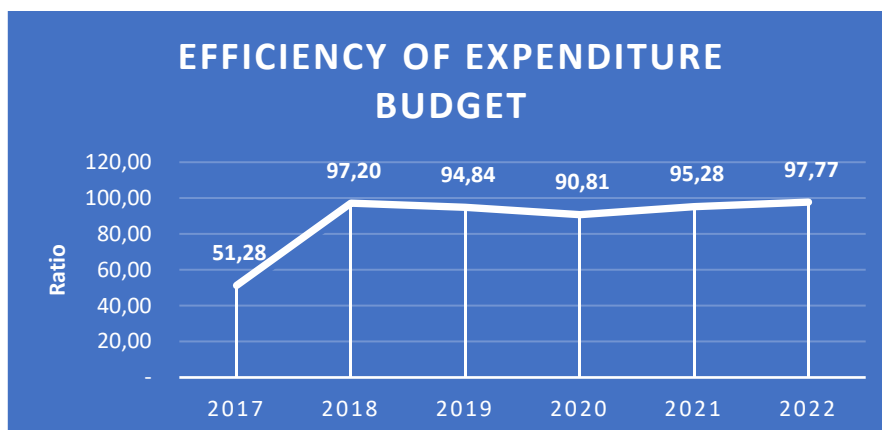
Year	Expenditure Budget Realization	Direct Expenditure Budget	Difference	Efficiency of Expenditure Budget	Criteria
	(Rp)	(Rp)	(Rp)	(%)	
<i>Before pandemic COVID-19</i>					
2017	2,945,776,916,162	1,091,571,494,969	1,854,205,421,193	37.06	Very Efficient
2018	3,701,829,263,271	3,137,150,750,100	564,678,513,171	84.75	Quite Efficient
2019	3,246,524,101,571	2,584,963,922,202	661,560,179,369	79.62	Efficient
<i>During Pandemic COVID-19</i>					
2020	3,244,652,636,286	2,465,335,194,701	779,317,441,585	75.98	Efficient
2021	2,981,798,497,160	2,344,062,266,484	637,736,230,676	78.61	Efficient
<i>After Pandemic Covid-19</i>					
2022	2,077,632,049,311	1,489,175,185,006	588,456,864,305	71.68	Efficient

Resource: processed data, 2023

Based on the calculation of the efficiency level of budget absorption shown in table 2, it is known that:

- a. In the period before the pandemic (2017-2019), the efficiency level of budget absorption was found to be in the criteria of very efficient, quite efficient, and efficient. The very efficient criterion was achieved in 2017 at 37.06%. Meanwhile, the quite efficient criterion was attained in 2018 at 84.75%, and the 'efficient' criterion at 79.62% was achieved in 2019. This indicates that the institution has improved the efficiency level of budget expenditures, which have been used judiciously.
- b. During the pandemic period (2020-2021), the efficiency level was found to be in the efficient criteria (60%-80%). In the years 2020-2021, the efficiency level continued to increase. This is evident from the calculation results of the efficiency ratio shown in 2021, which amounted to 78.61%, higher than the 75.98% recorded in 2020. Throughout the pandemic, the amount of direct spending realization experienced a decline compared to the pre-pandemic period. This occurred due to a decrease in some expenditure on goods resulting from the pandemic.
- c. In the post-pandemic period (2022), the efficiency level was found to be in the efficient range (71.68%). Compared to the pandemic period, the amount of direct spending realization experienced a decline. This is attributed to the continued allocation for the realization of direct spending as part of efforts to prevent the spread of COVID-19.

The changed of budget absorption efficiency ratio from 2017-2022 at the Ministry of Trade can be seen in graph 2.



Graph 2. Efficiency of Expenditure Budget 2017-2022

CONCLUSIONS

Based on the results of calculations and discussions, it can be concluded:

1. In the period before pandemic, the effectiveness level of the budget realization of the Ministry of Trade Indonesia was considered stable, falling within the criteria of quite effective as it ranged between 80%-90%. In 2017, the effectiveness level was 86.10%, then it increased to 87.95% in 2018, and further improved to 89.09% in 2019. Although in three consecutive years the effectiveness criteria were categorized as quite effective, the calculation results showed an increase each year. This indicates the growing effectiveness of the programs implemented by the Ministry of Trade, and the effectiveness of budget realization has improved each year. Regarding efficiency ratios, the Indonesian Ministry of Trade experienced fluctuations, meaning the efficiency level varied each year. In 2017, the efficiency level was 37.06%, categorizing it as 'very efficient.' In 2018, the efficiency ratio showed 84.75% in the 'quite efficient' category, and it decreased in 2019 to 79.62% in the 'efficient' criteria. The average efficiency level from 2017 to 2019 was 67.14%, indicating an efficient criterion. Therefore, it can be said that the Indonesian Ministry of Trade in the years 2017-2019 was considered good and able to save funds in budget management.
2. During the pandemic period (2020-2021), the calculation results of the effectiveness ratio for the Indonesian Ministry of Trade showed effective outcomes, namely 93.32% (2020) and 95.04% (2021). Then, in the post-pandemic period of 2022, the effectiveness ratio calculation also indicated effective outcomes at 96.89%. This demonstrates that the effectiveness level of the Indonesian Ministry of Trade in realizing budget expenditures has improved, utilizing the allocated funds more efficiently. This improvement is attributed to various programs implemented during 2020-2022 to address the COVID-19 pandemic. As for the efficiency ratio calculation results, stable outcomes were obtained, falling within the efficient criteria, with specific percentages of 75.98% (2020), 78.61% (2021), and 71.68% (2022). It can be concluded that the Indonesian Ministry of Trade in the years 2020-2022 is considered highly effective and capable of saving funds in budget management.

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