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Government Budget in Pandemic Period: A Note

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Abstract

Until now, the deficit is an unavoidable Government policy when preparing the budget. The reason for the Government to implement this policy is because the revenue side grew lower than the increase in the routine expenditure side. This situation requires the Government to carry out a contractionary policy by increasing spending to increase production so that economic growth also increases. The government implements macroeconomic policies by applying the precautionary principle, including in budget management so that there is no excessive deficit. At the same time, the government is also trying to anticipate the uncertain world economy. From 2020-2021, Indonesia experienced a period of the Covid-19 pandemic which resulted in slowing national economic growth. Government Regulations instead of Laws are used as the legal basis. Formulating extraordinary policies outside the usual running budget due to the Covid-19 pandemic has turned out to have resulted in better financial performance, and an increase in the quality of society.

Keywords
deficit; budget; government, covid19.

I. Introduction

The State Revenue and Expenditure Budget (APBN) is an important component of the administration of a country. It is understandable because the State Budget is the engine that drives the administration of the state.

In the preparation of the APBN, there are usually two choices between a deficit or a surplus policy. The budget deficit or surplus is the difference between revenues and expenditures. Deficit policy becomes an option when the macroeconomic objective is intended to create high economic growth so that the government spends more (expansively). On the other hand, if the purpose of the budget is to control the rate of economic growth, the government reduces its spending (contractive).

For Indonesia, based on the history of its APBN policy, deficit policy has always been the main choice, even if deficit policy is related to the regime of power. The deficit will result in heavy pressure on the state budget, namely through interest payments and instalments. As a result, the state budget deficit policy has become sensitive to macroeconomic conditions. With the background of the problem of budget deficits that always arise in every preparation of the APBN, by itself the deficit has become a permanent choice in budget policy.

Currently, the issue of economic policy that has caused much debate is the effect of the government's budget deficit. A budget deficit is a government policy that is made when there is an expenditure greater than the state's income to provide a stimulus to the economy (Khoirul Anwar, 2014). When economists and policymakers denounce budget deficits, they cite a variety of reasons. There is much controversy about the impact of budget deficits on the economy. The economic condition of the population is a condition that

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describes human life that has economic score (Shah et al, 2020). Economic growth is still an important goal in a country's economy, especially for developing countries like Indonesia (Magdalena and Suhatman, 2020). Does a budget deficit reduce economic growth? Does a budget deficit have the potential to trigger a financial crisis? Do budget deficits create winners as well as losers? If so, who are they? How big is the effect of the budget deficit? Are budget deficits simply a chronic annoyance, or do they threaten us with economic damage and, to use Benjamin Friedman's (1988) ominous language, the coming "day of vengeance?"

II. Research Method

The research uses normative juridical research methods. For data mining, a literature study was used as a means of data collection. The data was collected in primary, secondary, and tertiary data forms to complete the data as a whole. Analysis of the data was carried out qualitatively using a deductive approach, and the discussion was adjusted to the main problems presented to obtain conclusions on the problems studied.

III. Result and Discussion

3.1 Population Policy During Turki Utsmani 1512-1566 M

Fiscal policy is an effort made by the government through adjustments in terms of expenditures and revenues to improve the situation (Ani Sri Rahayu, 2014:1). To maintain economic stability, the Government has implemented fiscal policy by using two measurements as a reference, namely: (1) the ratio of debt to gross domestic income (GDP); (2) and the ratio of the budget deficit to GDP. Several policies and strategic steps mandated by Law Number 2 of 2020, among others, are the provision of incentives in the context of handling the Covid-19 pandemic and national economic recovery, as well as widening the APBN deficit for the 2020 fiscal year to exceed 3 percent of gross domestic product, namely the total value of added value generated by all business units of a country. The outbreak of this virus has an impact of a nation and Globally (Ningrum et al, 2020). The presence of Covid-19 as a pandemic certainly has an economic, social and psychological impact on society (Saleh and Mujahiddin, 2020). Covid 19 pandemic caused all efforts not to be as maximal as expected (Sihombing and Nasib, 2020).

One of the factors causing the swelling of state expenditures is the high level of economic development, so that expenditures increase rapidly, while the growth rate of revenue is not expected or the rate of revenue is unstable. The cause of the deficit can arise in conditions of an economic crisis because this situation has an impact on the state budget. In a state of crisis, the Government makes extra spending to improve economic conditions (economic recovery). Therefore, budget expansion can spur economic growth, thus its absorption and effectiveness are crucial issues.

With this deficit, it is hoped that it will be more expansive in spurring the economy to achieve economic growth because any additional spending can encourage economic growth as long as it is aimed at productive spending.

A decrease in the deficit can occur if state revenues increase more than the expected changes on the expenditure side. As for the reasons for the low spending: first, the delay in the completion of the budget; second, low subsidy financing and foreign debt interest payments, followed by a faster appreciation of the rupiah; third, delays in some foreign loan withdrawals; fourth, the delay in the authorization of the expenditure of project funds.

From the expenditure aspect, the budget deficit can occur due to the implementation of foreign debt policies that must be managed by the Government as well as possible. In expenditure management, it is also related to the management of foreign debt which is intended to see the effectiveness of its use through financing the productive sectors. The concept of debt management is related to macroeconomic aspects, such as exchange rates, inflation, and other monetary variables that also determine the volume of a country's debt.

Meanwhile, in terms of state revenues, it is used as a means of balancing expenditure (reducing the budget deficit as small as possible). This acceptance must be an accumulation of neutral receipts. The neutral policy in question is tax policy. So that tax policy is directed to increase revenue.

On the other hand, increasing government revenue through taxes has become a must given the low tax ratio. Tax policy is directed at increasing tax revenue through extensification and intensification. State revenue from this tax still has the potential to be increased, especially after the hostage-taking agency is activated/focused, but it needs to be supported by strict supervision. In addition, the main factor that needs to be considered is maintaining economic stability. Tax revenue depends on economic growth, if the economy grows/increases then taxes also increase. In addition, in general, high economic growth can create jobs to overcome unemployment and reduce poverty.

Therefore, in theory, an increase in the deficit is carried out to pursue economic growth, in the long run, the budget deficit will still provide an impetus for economic growth as much as possible, as long as it is not for routine payments, debt, or bond interest payments. Regardless of the analysis point of view, several things must be done concerning achieving the deficit target, namely: reducing subsidies and tightening routine and development policies.

About the Covid-19 pandemic, the Government has implemented an ongoing budget as the implementation of extraordinary and counter-cyclical policies which are manifested in:

- Government Regulation instead of Law Number 1 of 2020 concerning State Financial Policy and Financial System Stability for Handling Corona Virus Disease 2019 and/or In Facing Threats Endanger the National Economy and/or Financial System Stability.
- Government Regulation of Law Number 1 of 2020 is stipulated to be Law Number 2 of 2020.

Table 1
Indonesian Budget, 2018-2021

Trillion Rupiah

Budget	2018 Proposed	2018 Realization (Audited)	2018 %	2019 Proposed	2019 Realization (Audited)	2019 %	2020 Proposed	2020 Realization (Audited)	2020 %	2021 Proposed	2021 Realization (July 21)	2021 %
Revenues and Grant	1.894,72	1.943,67	102,6%	2.165,11	1.960,63	90,6%	1.699,94	1.647,78	96,9%	1.742,75	1.031,00	59,2%
Expenditures	2.220,65	2.213,11	99,7%	2.461,11	2.309,28	93,8%	2.739,16	2.595,48	94,8%	2.750,03	1.368,35	49,8%
I. Central Govt Expenditure	1.454,49	1.455,32	100,1%	1.634,33	1.496,31	91,6%	1.975,24	1.832,95	92,8%	1.954,55	952,82	48,7%
II. Transfer to Local Govt + Village	766,16	757,79	98,9%	826,77	812,97	98,3%	763,92	762,53	99,8%	795,48	415,53	52,2%
Surplus (Deficits)	(325,93)	(269,44)	82,7%	(296,00)	(348,65)	117,8%	(1.039,21)	(947,70)	91,2%	(1.006,38)	(336,88)	33,5%
Net Financing	325,93	305,69	93,8%	296,00	402,05	135,8%	1.039,21	1.193,29	114,8%			
SiLPA (SiKPA)		36,25			53,39			245,59				
Deficit to GDP (%)	-2,19%			-1,84%			-6,34%			-5,70%	-2,04%	
Debt to GDP (%)*	30,42%			30,56%			36,52%			41,39%		

Source: BPK; Laporan Keuangan Pemerintah Pusat (LKPP); 2018- July 2021
* www.statista.com

Table 2
Indonesian, Summary of Audited Balance Sheet

Trillion Rp

	31-Dec-18	31-Dec-19	31-Dec-20
Assets			
Current Assets	437,9	491,9	665,2
Long-term Investment	2.877,3	3.001,2	3.173,1
Fixed Assets	1.931,1	5.949,6	5.976,0
Long-term Recievable	57,2	56,9	59,3
Other Assets	1.021,9	968,0	1.225,1
Total Assets	6.325,3	10.467,5	11.098,7
Liabilities			
Short-term Liabilities	750,5	704,7	701,6
Long-term Liabilities	4.167,0	4.635,5	5.923,9
Total Liabilities	4.917,5	5.340,2	6.625,5
Equity	1.407,8	5.127,3	4.473,2
Total Liabilities + Equity	6.325,3	10.467,5	11.098,7
CURRENT RATIO	58%	70%	95%

Source: BPK, Laporan Keuangan Pemerintah Pusat (LKPP); 2018- July 2021

3.2 Data analysis

a. Income and Grants

In 2018, the realization of income and grants was = 1,943.67/1,894.72 = 102.6%
In 2019, the realization of income and grants was = 1.960.63/2.165.11 = 90.6%
In 2020, the realization of income and grants is = 1,699.94/1,647.78 = 96.9%
In 2021, the realization of income and grants is = 1,031.00/1,742.75 = 59.2%

For the 2018-2021 period, the realization of revenues and grants was greater than the budget plan only occurred in 2018, amounting to 102.6%. In the following years, the realization of revenues and grants is always smaller than the budget plan. In 2021, the realization only reached 59.2%, meaning that budget absorption was quite low due to the

Covid 19 pandemic, so economic activity greatly decreased which had an impact on financial performance on the side of state revenues as well.

b. Expenditure

For the 2018-2021 period, the realization of government spending is always smaller than the planned expenditure. The realization of government spending in 2021 only reached 49.8%, indicating that the Covid-19 pandemic has resulted in greatly reduced community activities so that the absorption of the spending budget is quite small.

Budget Deficit on Gross Domestic Product (GDP), namely the ratio of the budget deficit to GDP in the same year. Quoting the Ministry of Finance's data on the Central Government Financial Statements (LKPP), the 2018-2021 GDP, respectively (Trillion Rupiah), are as follows: 14850.50; 16087; 16,391; 17,655.8.

Furthermore, the Budget Deficit on GDP can be calculated:

2018 is planned: (325.93)/14.850.50 = -2.19% ;	realization = -1.81%
In 2019 it is planned: (296.00)/16,087.00 = -1.84% ;	realization = -2.17%
The year 2020 is planned: (1,039.21)/16,391.00 = -6.34% ;	realization = -5.78%
2021 is planned: (1,006,38)/17,655,80 = -5.70% ;	realization = -1.91%

The analysis that can be given from the above calculation results is that the realization of the budget deficit on GDP in 2021 is -1.91% due to extremely low budget absorption due to the Covid-19 pandemic.

Debt to Gross Domestic Product (GDP), is a ratio used to measure a country's ability to pay its debts. The way to calculate it is to divide the total public debt against the gross domestic product. From Table 1, it can be seen that the debt to GDP increased during the period 2018-2021, respectively: 30.42%, 30.56%, 36.52%, and 41.39%. The increase in 2021 was due to very low budget absorption due to the Covid-19 pandemic which affected GDP in the year concerned.

The current Ratio is a ratio to measure a country's ability to pay short-term obligations or debts that are due immediately when billed in their entirety. The current Ratio is the ratio between current assets and current liabilities.

In 2018, current ratio = 437.9/750.5 = 58.35% (rounded to 58%)

In 2019, current ratio = 491.9/704.7 = 69.80% (rounded to 70%)

In 2020, current ratio = 665.2/701.6 = 94.81% (rounded to 95%)

From Table 2. It can be seen that for the 2018-2020 period, the current ratio is increasing which indicates the state's financial performance is getting better. The increase in the current ratio is influenced by two things which are the increase in current assets and the decrease in short-term debt.

IV. Conclusion

Taking into account the GDP data originating from the Ministry of Finance in the 2018-2021 period, respectively, they are as follows: 14850.50; 16087; 16,391; 17,655.8 (Trillion Rupiah). It turned out that during the 2018-2021 period, there was an increase in GDP. Even in 2021, when Indonesia was in the era of the Covid 19 pandemic, it turned out that GDP reached the largest amount, namely 17,655.8 (trillion Rp.)

Even though in 2021, the deficit in GDP is -5.70% the deficit is caused by the central government's budget of 1,954.55 of the total budgets of 2,750.03. Concerning Law No. 2 of 2020, the budget is for the provision of incentives in the context of handling the Covid-19 pandemic and national economic recovery. The government can implement a deficit of -

5.70% because Law No. 2 of 2020 has regulated the expansion of permits regarding the size of the deficit exceeding 3%.

The 2018-2021 period saw an increase in debt to GDP, which is the ratio used to measure a country's ability to pay its debts. The figure for the increase in debt to GDP can be seen in Table 1. The meaning of an increase in the debt to GDP figure is that the higher the debt to GDP figure increases the country's ability to pay its debts so it can be said that the state's financial performance in the 2018-2021 period is getting better despite the Corona-19 pandemic.

By using Table 2. For the 2018-2020 period, it turns out that the current ratio, which is a ratio that measures the ability of the state to pay short-term obligations for debts that are due immediately when they are billed, as a whole shows an increase from year to year in that period. The higher the number achieved by the current ratio indicates that the state's financial performance is getting better.

Testing the effectiveness of the fiscal policy implemented by the Government by using two measurement indicators, namely the deficit to GDP ratio and the debt to GDP ratio, it turned out that both of them provided information that the Government's financial performance for the 2018-2021 period was good despite the Covid 19 pandemic.

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