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Government Budget Efficiency on Economic Growth

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Abstract

This study aims to analyze the impact of budget efficiency on economic growth, both nationally and regionally in Indonesia. Budget efficiency is not merely about saving government spending, but rather emphasizes the optimization of resources so that every rupiah spent provides maximum benefits for society and economic development. The results of the study indicate that government budget efficiency has significant positive and negative impacts on economic growth. The positive impacts of budget efficiency carried out by the government are as an increase in a country's competitiveness, then as inflation control, as well as in several sectors that greatly influence economic growth such as infrastructure, industry, agriculture and MSMEs. The negative impacts caused by government budget efficiency can result in slowing economic growth due to budget cuts in vital sectors, then a decrease in people's purchasing power, a reduction in the workforce resulting in soaring unemployment rates. In addition, budget efficiency carried out by the government without strategic planning can also lead to development inequality between regions, especially in underdeveloped areas that are highly dependent on government funding allocations. Therefore, the implementation of budget efficiency must be accompanied by appropriate policies to continue to encourage inclusive and sustainable economic growth, and ensure the equitable distribution of the benefits of budget efficiency to all levels of society.

Keywords: Budget Efficiency, Economic Growth, Impact Analysis, Economic Recovery

A. Introduction

Economic growth is a key indicator that reflects the condition and development of a country. Globally, economic growth has experienced fluctuating dynamics due to various factors, such as financial crises, geopolitical conflicts, major changes that disrupt global supply chains, and the COVID-19 pandemic that once hit almost the entire world. Data from the World Bank shows that post-pandemic, many countries have begun to make fiscal and monetary policy adjustments to restore economic stability and create sustainable growth. However, global uncertainties such as trade wars, high inflation and climate change continue to be major challenges for global economic recovery. Indonesia, as part of the global economy, is also experiencing the impact of this situation. National economic growth contracted in 2020 due to the pandemic, but began to show recovery in subsequent years. Based on data from the Central Statistics Agency (BPS), Indonesia's Gross Domestic Product (GDP) grew by 5.31% in 2022, reflecting fairly stable economic recovery efforts. However, to maintain and accelerate the rate of economic growth, appropriate, effective and efficient fiscal policies are needed.

One of the important instruments in fiscal policy is government budget management. In the context of limited resources and high development needs, budget efficiency is crucial. Budget efficiency can be interpreted as the government's effort to use the budget optimally, namely spending as little money as possible for maximum results or output. Budget efficiency reflects the government's ability to manage state finances optimally, namely by maximizing the results of each unit of public spending while minimizing waste. In an era of global economic challenges and fiscal constraints, the application of budget efficiency is increasingly relevant as a strategy to create inclusive and sustainable economic growth. In other words, budget efficiency is not just about saving, but about ensuring that every rupiah spent has a real impact on development and economic growth.

The implementation of budget efficiency is carried out in response to various challenges such as fiscal deficit pressures, increasing national debt, and demands for bureaucratic reform and budget transparency. The Indonesian government has taken various efficiency measures, such as cutting unproductive spending, digitizing the budget, strengthening the performance-based planning and budgeting system, and regularly monitoring spending outputs. These steps are expected to improve the quality of state spending, strengthen the fiscal impetus for productive sectors, and create more inclusive and sustainable economic growth. However, an important question remains whether efficiency in budget use really has a significant impact on economic growth. Therefore, this research was conducted to empirically analyze the relationship between government budget efficiency and economic growth, in order to provide a clearer picture of the effectiveness of the fiscal policies that have been implemented.

Literature Review

The Concept of Economic Growth

Economic growth is an increase in the production capacity of goods and services in a country or region over a certain period of time. According to several economists, this is usually measured by an increase in Gross Domestic Product (GDP) or Gross Regional Domestic Product (GRDP). Economic growth also reflects an increase in public prosperity and overall improvement in welfare.

According to Sadono Sukirno (2006) Economic growth is a process of changing conditions a country's economy continuously towards a better state during a certain period.

According to Todaro and Smith (2011), economic growth is a process of increasing the production capacity of goods and services in a country from time to time, which is reflected through an increase in real Gross Domestic Product (GDP).

Boediono (1999) explains that economic growth is a process of increasing output in the long term. That is, economic growth reflects an increasea country's ability to produce goods and services needed by the community

Budget Efficiency Concept

Budget efficiency is a key concept in public sector economics, which refers to the optimal use of resources to achieve maximum results with minimal costs.

Musgrave and Musgrave (1989) state that efficiency in public finance includes two main aspects: allocative efficiency and technical efficiency. Allocative efficiency occurs when resources are allocated to the sectors that provide the greatest social benefits, while technical efficiency emphasizes carrying out activities with as little input as possible for a given output. Budget efficiency is also closely related to principlevalue for money in public budget management, which includes aspects of economy (procurement at a fair price), efficiency (productivity), and effectiveness (achievement of objectives) (OECD, 2014). In this context, the government is not only required to save money, but is also required to ensure that every expenditure provides real benefits for society and economic growth.

Mulyamah (1990) stated that efficiency is a measure used to compare planned input use with realized or actual use.

S. P. Hasibuan (2007) states that efficiency is the best comparison between input and output, or cost and profit. Efficiency also means optimal results that are achieved with limited resources.

The Link between Budget Efficiency and Economic Growth

Within the framework of fiscal policy, budget efficiency is not just about saving, but part of a strategy to create inclusive and sustainable economic growth. Previous research indicates that appropriate budget efficiency can strengthen national competitiveness (Schick, 1998), control inflation (Stiglitz, 2000), and increase the productivity of state spending (Mardiasmo, 2009). However, if not done with strategic planning, efficiency could instead counter productive to the public sector, especially health and education.

Budget efficiency accompanied by transparency and accountability, both at the national and regional levels, can create a healthier economic structure. On the other hand, budget inefficiency risks exacerbating inequality and slowing economic growth, especially in developing countries like Indonesia.

B. Methodology

Qualitative research methods are used to understand a problem in depth through the collection of descriptive data, such as interviews, observations, and studies documents. This research does not focus on numbers or statistical data, but rather more prioritizes explanation, understanding, and meaning behind a social phenomenon or policy.

This study uses qualitative methods because it aims to find out in depth how the government's budget efficiency affects economic growth. Researchers will gather information from various sources such as interviews with public policy experts, economic observers, as well as parties involved in government budget planning and implementation. In addition, researchers will also examine policy documents and budget implementation reports to understand the processes and considerations in decision making.

This method as chosen because it is able to provide a broader and more comprehensive understanding of the policy context, objectives, and the impact of budget efficiency on economic development. In addition to explaining the relationships between the elements studied, the qualitative approach also allows researchers to uncover the backgrounds, views, and experiences of policymakers and other related parties.

Through this approach, researchers can answer the questions of why and how budget efficiency policies are implemented, and the extent to which these policies affect economic growth in various sectors. Therefore, the qualitative method is considered the most appropriate and relevant for delving deeper into complex issues that cannot be explained by numbers alone.

C. Results and Discussion

Impact on Macroeconomic Stability

Budget efficiency has great potential in improving the structure of the State Budget (APBN). By suppressing unproductive operational spending and directing the budget to strategic sectors, the government can create a healthier budget structure that is more responsive to economic needs. Data from the Ministry of Finance (2023) shows that in 2022 there was a significant decrease in the item for goods expenditure, while capital expenditure increased. This policy not only reduces the fiscal deficit (a condition when government spending is greater than revenue earned in one budget period) but also expands fiscal space that can be used to support post-pandemic economic recovery programs, such as social assistance and infrastructure investment. Theoretically, strengthening budget efficiency has a direct correlation with macroeconomic stability. According to Musgrave and Musgrave (1989), fiscal discipline obtained through efficient budget management can prevent dependence on short-term debt financing. shorten and reduce the risk of fiscal instability. This is important because budget deficits high and uncontrolled can trigger inflationary pressures, weaken exchange rates, and reduce investor confidence.

Therefore, shifting spending from consumptive to productive, such as investment in infrastructure and human resources, is a strategic step to maintain long-term fiscal balance. However, the effectiveness of budget efficiency on macroeconomic stability depends heavily on the quality of budget planning and execution. Efficient spending is not just about saving, but about placing funds in posts that have a high economic impact. Fiscal efficiency must be accompanied by effectiveness, namely the extent to which budget allocations are able to increase economic output and public welfare. Without result-based planning, efficiency can lead to a decline in the quality of public services, which in turn risks reducing overall economic productivity. Therefore, budget efficiency must be part of a broader fiscal strategy and oriented towards inclusive growth Stiglitz (2000).

Impact on Spending Productivity

Efficient government spending plays an important role in increasing the productivity of strategic sectors. According to an analysis by Bappenas (2022), targeted budget efficiency allows the transfer of funds to sectors with high multiplier effects, such as infrastructure, education and health. Government investment in infrastructure, for example, has proven to boost connectivity and reduce logistics costs, which in turn increases national competitiveness. Meanwhile, strengthening education and health budgets supports the development of human resources, which is the foundation of long-term economic growth.

However, the effectiveness of spending efficiency is highly dependent on the approach used. Efficiency that only focuses on budget cuts without strategic planning can actually have counterproductive impacts. Schick (1998) warns that budget cuts that are carried out evenly and without performance-based analysis often reduce the ability of government institutions to provide quality public services. This is especially risky in essential sectors such as primary health and basic education, where budget reductions can be directly felt by the wider community.

For this reason, it is necessary to implement a performance-based budgeting approach that emphasizes the link between budget inputs and results achieved. Mardiasmo (2009) emphasizing that budget performance evaluation should be an integral part of the state expenditure planning and implementation process. By using measurable performance indicators and a transparent monitoring system, the government can ensure that efficiency not only means savings, but also increased productivity. This strategy will strengthen the effectiveness of fiscal policy and improve the quality of state spending as a whole. Furthermore, performance-based efficiency also encourages openness, public accountability, and decision-making based on data and real results.

Impact on Improving Competitiveness

Budget efficiency is a strategic step in the management of state finances which not only aims to save expenditure, but also to ensure that public funds are used optimally to support long-term development. In an increasingly competitive global context, budget efficiency has an important role in encouraging increased competitiveness of a country. One form of real contribution of budget efficiency on competitiveness is the government's ability to allocate funds saved from unproductive spending to sectors that support national productivity. Investment in education and research, for example, is key to creating a competent, adaptive and innovative workforce. Countries that are able to produce high-quality human resources will have an advantage in driving industrial growth, accelerating technological transformation, and creating a dynamic economic ecosystem. In addition, efficient budget allocation also allows the government to finance better infrastructure development, both in the form of transportation, energy and digital technology. Adequate infrastructure directly impacts on increasing logistics efficiency, reducing production costs, and facilitating the distribution of goods and services, all of which support a healthy business climate and are attractive to domestic and foreign investment. The country's ability to provide fast, efficient and transparent public services is also an important assessment in the global competitiveness index.

However, while budget efficiency offers many benefits, its implementation must be done wisely. Not all budget savings will have a positive impact. Drastic or arbitrary budget cuts, especially in essential sectors such as education and health, risk lowering the quality of life and hindering long-term economic growth. Spending in these sectors is a social investment that yields results in the form of labor productivity and overall social welfare. In this case, budget efficiency should not be interpreted merely as cost reduction, but as an effort to increase the effectiveness of state spending. The government needs to conduct careful studies and analysis before implementing efficiency policies, considering the potential economic and social impacts.

A performance-based and evidence-based policy approach should be the basis for decision-making, so that efficiency policies are not only administrative, but also provide added value to national development. Thus, budget efficiency implemented appropriately and measurably will be an important catalyst for increasing the country's competitiveness. Through strategic and results-oriented budget management, the government can create a more resilient, highly competitive, and sustainable economic structure in the long term.

Budget Efficiency as Inflation Control

Budget efficiency means using the government budget optimally, on target, and also minimizing budget waste. When the government is able to manage the budget efficiently, the pressure on inflation can be reduced through several interrelated economic mechanisms. Budget efficiency helps avoid unproductive or excessive government spending, which can create pressure on the demand side (demand-pull inflation).

A budget that is directed precisely to important sectors, such as infrastructure, agriculture, or education, will increase national production capacity, thereby increasing the availability of goods and services. This supply availability can directly suppress prices and also maintain inflation stability from the supply side (supply-side). Budget efficiency helps reduce the fiscal deficit. A deficit that is too high often has to be covered by debt or printing money (debt monetization), which can trigger a surge in the amount of money circulating in the public. If this is not offset by an increase in the production of goods and services, it will result in inflation. Thus, fiscal efficiency that suppresses the deficit will have a positive impact on price stability through controlling the amount of money in circulation.

In addition, efficient budget management increases market and investor confidence in national economic stability. This confidence has a positive impact on the exchange rate, as capital inflows tend to increase. When the exchange rate is stable or strengthens, the price of imported goods will become more affordable, so that imported inflation can be suppressed. This effect is very important for developing countries that are still highly dependent on imported goods, including food and energy. On the other hand, efficiency in providing subsidies and social assistance also plays an important role in suppressing inflation. When subsidies are given right on target to groups of people who really need them, then in addition to promoting social justice, this policy will also prevent unproductive artificial demand spikes. Efficiency in the goods distribution system also ensures that the supply of essential goods such as food and energy is not disrupted, so that prices remain stable.

With all these mechanisms, it can be concluded that budget efficiency has a negative correlation with inflation, that is, the higher the efficiency in budget management, the lower the potential for inflation. This relationship is not only theoretical, but also proven in various cross-country empirical studies which show that countries with efficient fiscal management tend to have lower and more stable inflation rates. Therefore, in the macroeconomic policy framework, budget efficiency is not only an instrument for saving expenditure, but also a strategic tool for maintaining price stability and public purchasing power.

Positive Impact of Budget Efficiency on Economic Growth

When budget efficiency is carried out appropriately by the government, both through careful planning and directed implementation, it reflects effective and responsible management of state finances, which can provide real results in the implementation of development programs at the regional and national levels as a whole, including;

1. Infrastructure Improvement

Infrastructure is a key foundation for development and economic growth. Roads, bridges, ports, electricity, and irrigation systems are examples of infrastructure that are vital to support the economic activities of the community. When state or regional budgets are used efficiently, the allocation of funds for infrastructure development can be carried out in a more targeted and cost-effective manner. This efficiency prevents waste, stalled projects, or overlapping programs, so that development can be completed on time and provide optimal benefits.

The positive impacts include:

- The distribution of goods and services becomes smoother, especially to remote areas, which were previously difficult to reach.
- Connectivity between regions increases, encouraging equitable development and expanding community economic access.
- Logistics costs can be reduced, making local products more competitive in the market nationally and globally.
- The quality of life of the community increases, because they have better access to basic services such as transportation, education and health.
- In addition, efficient infrastructure development also accelerates the realization of national strategic projects that have a major impact on investment and long-term economic growth.

2. Increased Productivity of the Real Sector (Agriculture, Industry, and MSMEs)

The real sector includes economic activities that produce tangible goods and services, such as agriculture, industry, and micro, small, and medium enterprises (MSMEs). Budget efficiency allows the government to allocate more funds to this sector, especially in the form of facilities, training, and technical assistance. Rather than spending funds on programs that do not have a direct impact, efficiency ensures that funds are channeled into productive sectors.

Positive impacts:

- Agriculture is assisted by infrastructure such as irrigation, modern agricultural equipment, and road access, which encourages increased crop yields.
- Industry can grow faster with a stable supply of electricity and water as well as supportive fiscal policies.
- MSMEs become more productive and competitive due to easier access to business capital, skills training, and digital infrastructure.
- In addition to encouraging the growth of the real sector, efficiency also strengthens the local economic structure by creating a more efficient and connected supply chain.
- to national and international markets.

With a strong real sector, the foundation of the economy becomes more solid and is also able to create sustainable jobs.

3. Job Creation

Budget efficiency allows the government to allocate more funds to productive activities that create new job opportunities, such as infrastructure development, workforce training, and support for MSMEs. Instead of being used for ineffective bureaucratic spending, the budget is used for projects that directly benefit the community.

The positive impacts:

- Direct jobs are created, especially in the construction, logistics, and manufacturing sectors.
- The unemployment rate decreases, because many people are absorbed in productive activities.
- Public income increases, which automatically increases purchasing power and family welfare.
- In the long term, a skilled and active workforce creates a dynamic and sustainable economic ecosystem.
- Efficiency also opens up new entrepreneurial opportunities as small business actors receive policy support that supports job creation independently. independent.

4. Increasing Public Purchasing Power

People's purchasing power is an important indicator in economic growth. When people have enough income to meet their basic needs, they will be more active in economic activities. Budget efficiency allows The government develops programs that truly impact the community, such as social assistance, subsidies, and quality public services.

Positive impacts:

- Well-targeted social assistance provides additional income to vulnerable groups.
- Food, energy, and health subsidies alleviate the burden of public expenditure.

- Quality public services such as education and health improve the quality of human resources and productivity.
- High purchasing power increases domestic consumption, which is a driver the main driver of national economic growth.
- In addition, strong purchasing power strengthens the domestic market so that the economy not too dependent on exports.

5. Stable and Inclusive Economic Growth

Budget efficiency not only enhances economic growth, but also ensures that the growth is stable and inclusive. Stable means that growth occurs consistently without major upheavals, and inclusive means that all levels of society benefit, not just certain groups.

The positive impacts:

- More equitable distribution of economic benefits, thus reducing inequality between regions and social groups.
- Increased public welfare, because every individual has the opportunity same to grow economically.
- Increased confidence of domestic and foreign investors, due to good governance transparent and efficient budget.
- The economy becomes resistant to crises because its base is evenly distributed and not only depends on one sector or region.
- Economic stability promotes sustainable development and facilitates long-term planning by both the government and businesses.

Negative Impacts of Budget Efficiency on Economic Growth

Although budget efficiency is often considered a positive step in managing state finances, in reality, if it is implemented excessively, is not well-targeted, or does not consider the needs of the community and the current economic conditions, budget efficiency can actually have a negative impact on economic growth. Here are some negative impacts to consider:

1. Slowdown in Economic Growth

Strict budget efficiency can cause the government to reduce public spending in important sectors.

As a result, economic growth can slow down.

The negative impacts:

- Reduction in government spending: If the budget for development is reduced too much, then development projects such as roads, schools, hospitals, and others could be delayed or even canceled. This means fewer jobs, hindered distribution of goods, and a huge domino effect on the economy. If the budget for development is reduced too much, then development projects such as roads, schools, hospitals, and others could be delayed or even canceled. This means fewer jobs, hindered distribution of goods, and a huge domino effect on the economy.
- Decrease in public consumption: Government spending is often a trigger main economic movement. If this spending is reduced, then the money circulating in the community also decreases, so public consumption also decreases.
- Decreased investor confidence: When economic activity slows down, investors become hesitant to invest capital. Economic growth can also be increasingly hindered due to a lack of fresh funds from the private sector.
- Postponement of post-crisis economic recovery: If budget efficiency is applied during the recovery period, for example after a pandemic or disaster, then the response government becomes suboptimal, so economic recovery takes longer and is not evenly distributed across regions.

Decline in Public Purchasing Power

Budget efficiency is often followed by cuts in subsidies or programs social assistance, especially if it is done only to suppress expenditure figures. This can have a direct impact on people's purchasing power, especially for middle and lower economic groups.

Negative impacts:

- People's income decreases: When the government reduces spending, job opportunities decrease. As a result, people lose fixed income or experience a reduction in income.
- Prices of goods rise: If subsidies are reduced, such as energy or food subsidies, the prices of basic necessities can skyrocket, while people's income remains the same or even decrease.
- Consumption drops drastically: The combination of falling income and rising prices will weaken purchasing power, so people are more frugal in spending money. This will have an impact on small and medium enterprises that depend on people's consumption for their livelihoods.
- Social welfare is disrupted: Efficiency that cuts free health services, educational assistance, or social protection can reduce the quality of life for low- income communities. the lives of low- income people.

Postponement of National Strategic Projects

Budget efficiency can also lead to important national-scale projects experiencing delays or cancellations, especially if they are considered not urgent in the short term. In fact, strategic projects usually have a large long-term effect on economic growth.

Negative impacts:

- Reduction in development fund allocation: Large projects such as the construction of ports, dams, toll roads, airports and industrial areas require large funds. When budgets are cut carelessly, funding for these projects becomes unavailable or insufficient.
- Project implementation delayed: In addition to lack of funding, project priorities can be shifted, so that many strategic projects are delayed or do not run optimally. These projects can actually create many jobs and boost local economic activity.
- Economic growth loses a major impetus: Strategic projects usually have a multiplier effect, meaning that in addition to creating jobs, they also encourage investment, consumption and development of the surrounding areas. The postponement of these projects will cause economic growth to run more slowly and not optimally.
- Decreased connectivity and national competitiveness: When important infrastructure is delayed, logistical efficiency is disrupted, production costs rise, and product competitiveness Indonesia's in the global market is weakening.

Impact of Budget Efficiency on Economic Growth Between Advanced Economies and Emerging/Developing Economies

Efficient management of government budgets plays a crucial role in determining the level of economic growth of a country, both in developing and developed countries. However, the impact differs between these two groups of countries, influenced by the level of government governance, institutional capacity, fiscal transparency, and the economic structure of each country. In developed countries, such as Germany, the United States, Switzerland, and Singapore, budget efficiency is generally higher because it is supported by a professional bureaucratic system, strict oversight mechanisms, and a strong culture of accountability. In this context, budget allocation is more directed towards productive investments such as infrastructure, higher education, research and development, and technological innovation, which directly increase national productivity and global competitiveness. For example, Germany has managed to maintain stable economic growth despite being in the midst of geopolitical pressures and the energy crisis, thanks in part to management disciplined budget through the mechanism of “ debt brake” that prevents excessive deficits and ensure that every expenditure provides long-term benefits. Conversely, in developing countries, such as Indonesia, India, Nigeria, and Brazil, budget efficiency remains a major challenge. Although some countries have implemented performance-based budget reforms and digitalization, many of them still face problems of corruption, dominance of routine spending, low capacity of the state apparatus, and lack of coordination between institutions. This causes most of the budget not to create significant economic value added. For example, in Nigeria, despite having a large state budget, inefficiencies in the distribution of fuel subsidies and waste in infrastructure projects cause economic growth to stagnate and debt to increase without proportional results.

However, there are also developing countries that have succeeded in increasing budget efficiency, such as Vietnam and India, which have been able to use the budget to support the manufacturing and information technology sectors, thereby promoting higher economic growth. This comparison shows that the level of budget efficiency is very decisive in determining how much government spending contributes to economic growth. Countries with efficient budgets are able to create a positive cycle: budgets are allocated to productive programs, increasing economic output, increasing tax revenues, strengthening fiscal capacity for further allocation. Meanwhile, countries with Budget inefficiencies tend to get caught in a negative cycle: waste, increased debt, low public service quality, and slow economic growth. Therefore, to improve budget efficiency and promote inclusive economic growth, both developing and developed countries must continue to improve financial governance, build human resource capacity, increase transparency, and strengthen internal oversight systems and public participation in the budget process.

Budget efficiency has a positive impact on economic growth in both developed and developing countries, but with differences in scale and focus. In developed countries, budget efficiency helps maintain economic stability and allocate resources to productive sectors, encouraging innovation and competitiveness. Meanwhile, in developing countries, budget efficiency can accelerate infrastructure development, improve the quality of human resources, and reduce poverty, all of which contribute to more inclusive economic growth

1. Developed economies

Developed countries generally have relatively complete infrastructure, economic systems stable, and high per capita income. In this context, efficiency budget is focused on increasing competitiveness, innovation, and optimization of macroeconomic policies.

- Economic Stability: Budget efficiency helps keep inflation in check and reduces the risk of economic crises, creating an environment conducive to long-term growth.
- Resource Allocation: The government can allocate funds to sectors with high growth potential, such as research and development, information technology, and clean energy.
- Competitiveness: Budget efficiency can support the private sector through policies that are appropriate, increasing industry competitiveness and encouraging investment.

2. Developing economies

Developing countries face basic challenges such as poverty, low quality of education and health, and limited infrastructure. Thus, budget efficiency is directed to addressing these structural constraints.

- Infrastructure Development: Budget efficiency allows the government to allocate funds for the development of basic infrastructure such as roads, bridges and public transportation, which are important for economic growth and poverty reduction.
- Improved Quality of Human Resources: Funds can be allocated to education and health, improving the quality of human resources and labor productivity.
- Reducing Inequality: Budget efficiency can help governments reduce income inequality and create economic growth that is more inclusive.

3. Differences in Scale and Focus

The difference in the scale of budget efficiency between developed and developing countries lies in fiscal capacity, the level of maturity of the economic system, and the complexity of the development challenges faced. Developed countries generally have much larger and more stable budgets, as well as well- established public financial governance systems. Therefore, budget efficiency in developed countries is more about refinement or optimization, for example by cutting unproductive spending, increasing bureaucratic efficiency, or directing funds to high-tech and innovative sectors. Meanwhile, in developing countries, budget efficiency is a more fundamental and large-scale issue because it concerns basic community needs that have not been fully met. With limited fiscal capacity and major challenges such as poverty, infrastructure limitations, and low quality of public services, budget efficiency in developing countries often means avoiding waste, increasing spending accountability, and ensuring that every rupiah or dollar truly has a direct impact on people's welfare. In other words, the scale of efficiency in developed countries is more about improving established economic performance, while in developing countries it acts as a tool to catch up and meet basic needs evenly and sustainably.

Although the main goal is the same, namely to increase economic growth, differences in scale and focus are clear. Developed countries tend to focus more on innovation and competitiveness, while developing countries focus more on infrastructure development and improving the quality of human resources.

The Impact of Government Budget Efficiency on Economic Growth in Indonesia (National and Regional)

Government budget efficiency is an important element in promoting sustainable, stable and inclusive economic growth. Efficient budget management is not just about saving or reducing spending, but rather about using the budget in a targeted, transparent manner and generating maximum economic benefits. In Indonesia, both at the national (APBN) and regional (APBD) levels, budget efficiency has a direct influence on infrastructure development, job creation, increasing public purchasing power, and improving public services.

1. Budget Efficiency at the National Level (APBN)

Since the implementation of state financial system reform after 2004, the Indonesian central government has implemented various efforts to increase budget efficiency. One of these is through the implementation of Performance-Based Budgeting (ABK) which focuses on outcomes rather than just inputs (budget amounts).

The main steps for budget efficiency at the national level include:

- Digitization of the budget system (e-budgeting): Minimizing manipulation practices budget and accelerate the planning and reporting process.
- Increased transparency and accountability: Through openness of information budget and periodic audits by institutions such as BPK and BPKP.
- Focus on productive spending: Such as capital expenditure for infrastructure, education and health, compared to routine expenditure such as salaries and operations.

Examples of successful budget efficiency;

During the COVID-19 pandemic (2020–2021), the government, through the National Economic Recovery (PEN) program, used the state budget efficiently to respond to the crisis. The state budget funds were directed to strategic sectors such as:

- Social assistance (bansos) to maintain people's purchasing power.
- Support for MSMEs in the form of people's business credit (KUR) and tax incentives.
- Health subsidies and spending on medical equipment.

This policy succeeded in preventing a deeper economic contraction, keeping household consumption stable, and maintaining investment in key sectors.

However, despite the improvements, there are still a number of major challenges:

- The proportion of routine spending (such as salaries and institutional operations) still dominates, compared to spending on development or capital expenditure.
- Many projects are not completed on time (stalled projects), causing waste and low efficiency in the use of funds.
- Corruption and overlapping programs between ministries/institutions result in suboptimal use of funds.

2. Budget Efficiency at the Regional Level (APBD)

At the regional level, budget management becomes more complex due to the regional autonomy system, which gives broad authority to local governments in preparing and using budgets through the APBD. The efficiency of APBD use depends greatly on the managerial capacity and governance of each region.

Positive impacts of regional budget efficiency:

- Some regions that have good planning systems have succeeded in using the APBD to encourage local economic growth, such as by:
- Building basic infrastructure (roads, bridges, irrigation).
- Providing training and capital assistance to MSMEs.
- Improving the quality of public services such as education and health.

When regional budget efficiency is successfully implemented, the positive impact is very real. Employment increases due to the large number of development projects and community empowerment programs. Regional productivity also increases because key sectors receive sufficient and appropriate budget support. The community also feels the direct benefits of development, both in the form of increased access to basic services and in increased household income. This efficiency not only strengthens the regional economic structure, but also improves the overall quality of life of the community. In the long term, consistent budget

efficiency can increase regional competitiveness, attract new investment, and strengthen public trust in the regional government. Therefore, budget efficiency is not just about saving money, but an important strategy for sustainable, equitable and inclusive regional development.

However, on the other hand, many regions face efficiency problems, including:

- Low budget absorption, where funds are available but not utilized optimally.
- Weak planning, often not based on real community needs or local economic potential.
- Overlapping programs between the center and regions, causing waste and repetition of activities.
- Lack of transparency and accountability, which opens loopholes for practices corruption or misuse of budget.
- Limited human resources (HR) in designing and implementing results-based programs (outcome- based budgeting).
- High dependence on fund transfers from the center, such as Allocation Funds General (DAU) and Special Allocation Funds (DAK).
- Lack of regional fiscal policy innovation to boost local revenue (PAD) that is sustainable.

D. Conclusion

This research aims to analyze the impact of government budget efficiency on economic growth in Indonesia, both nationally and regionally. The research results indicate that budget efficiency has a complex influence, both positive and negative, depending on the implementation strategy, careful planning, and the sectors that are the focus of fund allocation.

Positively, budget efficiency contributes to infrastructure improvement, real sector productivity (agriculture, industry, and MSMEs), job creation, increased public purchasing power, and stable and inclusive economic growth. Efficiency in budget management helps the government to divert funds from unproductive spending to strategic sectors that have a large multiplier effect on the economy. In addition, budget efficiency also plays a role in controlling inflation, maintaining macroeconomic stability, and increasing the country's competitiveness through investment in infrastructure, education and technology.

However, on the other hand, excessive or poorly planned budget efficiency can have negative impacts, such as slowing economic growth, decreasing public purchasing power, and delaying national strategic projects. Budget cuts in essential sectors such as education, health, and social subsidies can reduce the quality of public services and adversely affect public welfare. In addition, inefficiencies in implementation, such as corruption, overlapping programs, and low human resource capacity, also hinder the optimal use of the budget. The different impacts of budget efficiency between developed and developing countries are also an important highlight. Developed countries tend to focus more on increasing innovation and competitiveness, while developing countries like Indonesia place more emphasis on infrastructure development and improving the quality of human resources.

Therefore, budget efficiency must be accompanied by results-based planning, transparency, and strong accountability. The government needs to implement a performance-based and evidence-based approach to ensure that every rupiah spent provides tangible benefits to society and supports inclusive and sustainable economic growth. Thus, budget efficiency is not only a tool for saving expenditure but also a strategy to strengthen the foundations of the national and regional economy.

Limitation

This research has several limitations that need to be considered for the interpretation of results and the development of further studies. First, the approach used is qualitative and descriptive, so the results obtained are exploratory and cannot be fully generalized to all regions in Indonesia. Although data and analysis have been systematically compiled based on various credible sources, the limited regional coverage and availability of actual data from each region can affect the sharpness of the analysis, especially in describing variations in the impact of budget efficiency between regions.

Second, this research focuses more on conceptual and narrative evaluation of budget efficiency policies and their impact on economic growth, so it has not integrated quantitative analysis or econometric models to statistically measure the magnitude of the influence. The use of qualitative methods does provide in- depth analysis of public policy phenomena, but provides less certainty in terms of the size and correlation between variables.

Third, the limited local literature that specifically examines the relationship between budget efficiency and economic growth in the Indonesian context is also a challenge, so most of the references used are still general or come from international studies.

Nevertheless, these limitations do not diminish the important contribution of this research in providing an initial overview of the urgency of implementing strategic and equitable budget efficiency to support sustainable national and regional economic growth. This research can serve as an initial foundation for further, broader, and more in-depth studies with quantitative approaches and cross-regional spatial analysis.

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