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## THE INFLUENCE OF BUDGET SIZE ON BUDGET PERFORMANCE WITH BUDGET CHANGES AS A MODERATOR

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### KEYWORDS

budget amount, budget changes, budget absorption.

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### ABSTRACT

The purpose of this study was to determine the effect of the size of the budget on budget performance with changes to the budget as a moderator: Empirical Evidence from the City Government of Banda Aceh. This study uses a quantitative research type. The population of this research is Regional Apparatus Organizations (OPD) within the City Government of Banda Aceh, with a sample of 47 Regional Apparatus Organizations (OPD). The research sample was taken using a census technique where the entire population would be sampled. The type of research used is hypothesis testing. The data source of this research is secondary data obtained from annual reports and analyzed using moderation regression analysis method. The results of the study showed that there was a positive effect of the Amount of Budget variable on Budget Absorption before and during Covid-19.

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## INTRODUCTION

The 2020 Presidential Instruction of the Republic of Indonesia Number 4 explains refocusing efforts, reallocating funding, and accelerating the process of procuring goods and services to deal with this virus as steps taken by the government to stop the spread of Covid-19 (Paramitha et al., 2023). This impacts how the budget is used, especially in terms of capital-generating expenditures, operational and non-operating items, and personnel-related costs.

Because one of the main drivers of economic growth is government spending, delays in budget absorption will result in slowing economic growth (Rerung et al., 2017). Because not achieving the goal of absorbing the budget will result in a loss of spending gains, the government is expected to be able to realize budget absorption of up to 100 (one hundred) percent.

Getting a budget to realize this is a challenge in life fully. Every local government in Indonesia must disclose the new budget amount at the end of the fiscal year (Afridzal et al., 2018). The low absorption of the budget can be seen from the relatively large remaining budget. Economists' low level of budget absorption is seen as a sign of bureaucratic inefficiency, which can hinder growth and increase the welfare of residents (Putri, 2014). In addition, the decline in budget absorption was also affected by the Covid-19 outbreak.

According to data from the Ministry of Home Affairs (Kemendagri), as of July 15, 2021, actual expenditure for mitigating the impact of the Covid-19 pandemic in Indonesia was only Rp. 5.78 trillion or 29.18 percent of the budget ceiling of Rp. 19.8 trillion. According to information from the Ministry of Home Affairs, the area with the largest realization of spending on handling Covid-19 is DKI Jakarta Province. Aceh province had the lowest spending over the same time. As of July 15, 2021, it was recorded that the DKI Jakarta Provincial Government had realized spending of Rp. 12.39 trillion for

handling the impact of COVID-19. 34.57 percent of the ceiling is represented by realization. Meanwhile, Aceh has the lowest realized cost of handling Covid-19.

Based on official data from the Government of Aceh in the Acceleration and Control of Aceh Revenue and Expenditure Budget activities (P2K-APBA), out of the total 2021 budget ceiling of Rp. 16.763 trillion, the realization was only around 25.5 percent or around Rp. 4.2 trillion, and this realization was still low. Realization of budget absorption during Covid-19 decreased compared to before Covid-19 hit.

The Budget Realization Report from the Banda Aceh City BPKK shows that the realization of budget absorption during Covid decreased compared to before Covid. However, several OPDs are still relatively stable: the Office of Education and Culture, the Office of Public Housing and Settlement Areas, and the MPD Secretariat.

One factor that influences budget absorption is the size of the budget. The amount of the budget is determined based on the needs of the Regional Apparatus Organization (OPD) in carrying out programs and activities according to the affairs under their authority to administer public services, improving the community's economy, and improving facilities and infrastructure, both for the smooth implementation of government tasks and for the provision of public facilities (S. et al., 2014). The implementation of the budget set for a Regional Apparatus Organization (OPD) is, in principle, the implementation of the mission of the elected regional head following the responsibilities of the relevant Regional Apparatus Organization (OPD), which are stipulated by regional head regulations (Mora, 2013).

There is a tendency for government work units (agencies) to maximize the amount of budget allocated to tasks that fall under their purview. Maximizing the amount of budget allocation by a Regional Apparatus Organization (OPD) will result in reduced budget allocations for other Regional Apparatus Organizations (OPD) (S. et al., 2015). Previous research revealed that the size of the budget affects both budget changes and budget absorption positively (S. et al., 2014). However, the results of previous research show that the size of the budget does not affect budget absorption (Seftianova & Adam, 2013).

In addition to influencing the choice of allocation and achievement of budget output goals, budget politics also affect the size of the budget deficit (Jaelani, 2014). The amount of budget that falls under an agency's purview is often determined by legislative and political decisions rather than by the needs and capabilities of the agency in question. The legislature has a financial interest in allocating funds to its constituents to carry out the election promises made to voters, so the more legislators there are, the more money will be spent (Maryono, 2013). Large expenditures disrupt the absorption of SKPD's current budget because it adds to the burden on SKPD.

The level of accuracy in budgeting will also decrease along with an increase in the regional apparatus organization (OPD) budget due to the increase in the tasks and weight assigned to the relevant OPD. In addition to the need for more human resources for planning and budgeting, the low accuracy of budget predictions is also caused by a lack of human resource capacity for Regional Apparatus Organizations (OPD) in implementing the budget.

Based on reports on budget realization, several OPDs that distributed larger budgets for the Covid-19 pandemic experienced a decrease in their budgets. The Health Service decreased by almost 20%, the Meuraxa General Hospital decreased by 5%, and the Social Service decreased by 14%.

Modifying regional budgets is carried out to respond to recent developments, such as those related to regulations, central government policies, natural or social disasters, or urgent needs after budgeting (S. et al., 2015). Changing the budget when implemented, which impacts the overall expenditure allocation, is the budget modification process (Anessi-Pessina et al., 2013). Changes are

very important in regional budgeting, especially for capital expenditures, which impact adding regional fixed assets (S. et al., 2014).

Budget modification aims to maximize budget realization so that budget absorption can increase (S. et al., 2015). Budget adjustments, where the amount of the budget changes during adjustments, can result in budget realization reaching 100% for new activities that have been completed in the first semester or for follow-up activities whose funding source is SiLPA. Because SiLPA has been utilized and no longer contains funds not earmarked for use, budget modifications can reduce budget variances at the end of the year. Budget modifications also include adjusting the budget amount for ongoing activities and those completed before the budget. This follows the results of previous research, which stated that changes to the budget affect budget absorption (Ramdhani & Anisa, 2017). At the same time, previous research showed no effect of budget changes on budget absorption (Lestari et al., 2014).

Several previous studies have been carried out on the factors that influence budget absorption, such as previous research conducted in 23 districts/cities in Aceh (S. et al., 2015). The variables used are the time of setting the budget, the remaining budget from the previous year, and changes to the budget. Furthermore, other studies examined district/city governments in North Sumatra. The variables used are the time of setting the budget, the remaining budget from the previous year, and local revenue (Syahputra, 2016). Previous research also examined the regional work unit (SKPD) of Gayo Lues Regency with the research variables Total Expenditure (TB), Changes in Expenditure (PB), and Variance of Previous Year's Expenditures (VS) (SAS Abdullah et al., 2020). The research difference is using research variables, which use budget size variables and budget changes.

This study conducted research by examining the effect of budget size on budget performance with changes to the budget as a moderator in the Banda Aceh City Government before and during Covid-19.

## **METHODS**

This research is descriptive quantitative research to analyze budget absorption in regional apparatus organizations in Banda Aceh City before and during the pandemic. The unit of analysis in this study is the Group, namely the Banda Aceh city government LKPD for 2018-2020. The time horizon used is a combination of time series. Variable data are collected at two or more time limits to answer the research problem. This study uses LHP data from the city government of Banda Aceh. This study's analysis unit is the Regional Apparatus Organization (OPD), with data originating from the Regional Revenue and Expenditure Budget (APBD) document and the Banda Aceh City APBD Realization Report for the 2018-2020 fiscal year. The data was obtained from the Regional Financial Management Agency (BPKD). The population of this study is the Regional Apparatus Organization (OPD) in the government of Banda Aceh City, with a sample of 47 Regional Apparatus Organizations (OPD). The research sample was conducted using a census technique where the entire population would be used as the sample.

## **RESULTS AND DISCUSSION**

### **Results Before the Covid-19 Pandemic**

Multiple linear analysis was carried out in order to answer the problems defined in this research. For this reason, testing is carried out using data obtained using the SPSS program. The regression results obtained are presented in Table 2 below:

**Table 1. Regression Results Before the Covid-19 Pandemic**

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	std. Error	Betas	t	Sig.
1 (Constant)	2.114	1045		2024	.046
Budget Amount Before Covid-19	.285	.058	.311	4,889	.000
Budget Changes Before Covid-19	.678	.065	.659	10,371	.000

Source: Processed Secondary Data (2022)

From the regression results in Table 1, the regression equation is as follows.

$$SA = 2.114 + 0.285BA + 0.678PA + e$$

From the results of the regression equation above, the results of the research studied are as follows:

1. The constant value is 2, 114, which means. Suppose the variable Amount of Budget and Budget Changes is zero or constant. In that case, the Budget Absorption variable will have a positive value of 2, 114.
2. The regression coefficient of the Budget Amount variable is 0.258. This value explains that every one-unit increase in the Budget Amount will increase the Budget Absorption by 0.258 units. That is, a positive effect of the Budget Amount on the Budget Absorption variable is obtained.
3. The regression coefficient of the Budget Change variable is 0.678, which means that every one-unit increase in the Budget Change will increase the Budget Absorption by 0.678 units. That is, it was found that the Budget Change variable had a positive effect on the Budget Absorption variable.

#### Partial Test

This test was conducted to see the significant effect of each independent variable on the dependent variable (partial effect), assuming the other variables are constant. If  $t_{count} \geq t_{table}$  with a significance of 5%, it can be concluded that partially the independent variables affect the dependent variable. If  $t_{count} < t_{table}$  with a significance level of 5%, it can be concluded that the independent variable does not affect the dependent.

Based on Table 2, the calculated t value for the Budget Amount variable obtained is 4.889 with a significance value of 0.000 (smaller than 5% or 0.05), so it can conclude that the alternative hypothesis (Ha) cannot be rejected, and rejects the null hypothesis (Ho). Thus, the variable Budget Amount ( $X_1$ ) partially affects the Budget Absorption variable (Y)

The t value for the independent variable Changes to the budget obtained is 10.371 with a significance probability value of 0.000 (smaller than 0.05 or 5%). This means that the alternative hypothesis (Ha) cannot be rejected and rejects the null hypothesis (Ho), or it is concluded that the Budget Change variable ( $X_2$ ) partially has a significant effect on the Budget Absorption variable (Y).

#### Moderation Test

The results of the moderation regression analysis on the effect of budget size on budget absorption with changes to the budget as a moderator before Covid-19 are as follows.

**Table 2. Moderation Regression Results Before the Covid-19 Pandemic**

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	std. Error	Betas	t	Sig.
1 (Constant)	-13,772	26,368		-.522	.603
Budget Amount Before Covid-19	.918	1,051	1,001	.873	.385
Budget Changes Before Covid-19	1,402	1.203	1,363	1.165	.247
Budget Amount x Budget Changes Before Covid-19	-.029	.048	-1,300	-.603	.548

Source: Processed Secondary Data (2022)

The moderation regression equation is as follows from the regression results in Table 2.

$$SA = -13.772 + 0.908BA + 1.402PA - 0.029BA.PA + e$$

The results of the regression equation above show that changes in the budget have no effect on budget absorption because of the sig.  $0.247 > 0.05$ . Furthermore, the moderation of the budget amount and changes to the budget also has no effect on budget absorption with sig.  $> 0.05$ . Thus, there is a homologous moderation of budget changes in the relationship between budget amounts and budget absorption.

### Regression Results During the Covid-19 Pandemic

Multiple linear regression analysis was carried out in order to answer the problems contained in this study. Data processing is carried out using the SPSS program based on the data obtained. The equation for the regression results obtained is presented in Table 6 below:

**Table 3. Regression Results During the Covid-19 Pandemic**

Model	Unstandardized Coefficients		Standardized Coefficients		
	B	std. Error	Betas	t	Sig.
1 (Constant)	2,223	.869		2,559	.012
Budget Amount During Covid-19	.502	.048	.554	10,459	.000
Budget Changes During Covid-19	.434	.050	.457	8,631	.000

Source: Processed Secondary Data (2022)

From the regression results in Table 3, the regression equation is as follows.

$$SA = 2.223 + 0.502BA + 0.434PA + e$$

From the results of the regression equation above, it is known that the results of the study are as follows:

1. A constant value of 2.223 means that if the Budget Amount variable and the Budget Change variable are zero or constant, then the Budget Absorption variable will have a positive value of 2.223.
2. The regression coefficient of the Budget Amount variable is 0.502, explaining that every one unit increase in the Budget Amount variable will increase the value of the Budget Absorption variable by 0.502. That is, the Budget Amount variable positively affects the Budget Absorption variable.
3. The regression coefficient of the Budget Change variable is 0.434, which means that every one unit increase in the Budget Change variable will increase the Budget Absorption variable by 0.434. This means that the Budget Change variable has a positive effect on the Budget Absorption variable.

### t-test (Partial Test)

From the results in Table 4, the value of the regression coefficient with the standard error obtained t value calculated for the influence of the variable Budget Amount is equal to 4.889 at the limit of the significance probability value of 0.000, so can a decision was taken that alternative hypothesis (Ha) cannot be rejected and rejects the null hypothesis (Ho). Thus, the variable Budget Amount ( $X_1$ ) partially affects the Budget Absorption variable (Y)

The calculated t value for the Budget Change variable is 10.371 with a significance value of 0.000, so can a decision was taken that the alternative hypothesis (Ha) cannot be rejected and rejects the null hypothesis (Ho). This means that the variable Budget Changes ( $X_2$ ) partially has a significant effect on the Budget Absorption variable (Y).

### Moderation Test

The results of the moderation regression analysis on the effect of budget size on budget absorption with changes to the budget as a moderator before Covid-19 are as follows.

**Table 4. Moderation Regression Results During the Covid-19 Pandemic**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	std. Error	Betas		
1 (Constant)	-2,425	21,449		-	.910
				.113	
Budget Amount During Covid-19	.690	.865	.760	.797	.428
Budget Changes During Covid-19	.648	.988	.682	.656	.513
Budget Amount x Budget Changes During Covid-19	-.009	.040	-.399	-	.829
				.217	

Source: Processed Secondary Data (2022)

The moderation regression equation is as follows from the regression results in Table 4.

$$SA = -2.425 + 0.690BA + 0.648PA - 0.009BA.PA + e$$

The results of the regression equation above show that changes in the budget have no effect on budget absorption because of the sig.  $0.513 > 0.05$ . Furthermore, the moderation of the budget amount and changes to the budget also has no effect on budget absorption with sig.  $> 0.05$ . Thus, there is a homologous moderation of budget changes in the relationship between budget amounts and budget absorption.

## CONCLUSION

Based on the data analysis and discussion in the previous chapter, this study resulted in the following conclusions: 1) The size of the budget partially affected budget absorption before and during Covid-19. 2) Budget changes partially affected budget absorption before and during Covid-19. 3) Changes to the budget moderate the effect of the size of the budget on budget absorption before and during Covid-19.

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