



## ANALYSIS OF INDONESIA STATE BUDGET AND THE REALITY OF DEFICIT AND BUDGET EFFICIENCY

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<p><b>Info Article</b></p> <p>Received : 01 September 2025</p> <p>Revised : 04 Oktober 2025</p> <p>Accepted : 02 November 2025</p> <p>Publication : 30 November 2025</p> <p><b>Keywords:</b> State Budget, Fiscal Policy, Budget Deficit, Public Spending Efficiency, Subsidy Allocation, Indonesia.</p> <p><b>Kata Kunci:</b> Anggaran Pendapatan dan Belanja Negara (APBN), Kebijakan Fiskal, Defisit Anggaran, Efisiensi Belanja Publik, Alokasi Subsidi, Indonesia</p> <p><i>Licensed Under a Creative Commons Attribution 4.0 International License</i></p>	<p><b>Abstract:</b> <i>The State Budget (APBN) plays a crucial role in managing fiscal policy and supporting national development in Indonesia. This study aims to analyze the realistic condition of Indonesia's state budget, focusing on the persistent budget deficit and inefficiencies in government spending. A qualitative descriptive method is used by examining secondary data from official reports and relevant literature. The findings show that Indonesia continues to experience a budget deficit, leading to a reliance on debt financing. In addition, the budget is highly dependent on tax revenue, while inefficiencies in public spending and poorly targeted subsidies, particularly in fuel subsidies, remain significant issues. These conditions reduce fiscal space &amp; limit the government's ability to allocate funds to productive sectors such as education and healthcare. The study concludes that improving budget efficiency requires comprehensive reforms, including tax system improvements, better subsidy targeting, increased transparency &amp; more prudent debt management. These efforts are essential to ensure sustainable fiscal policy and maximize public welfare.</i></p> <p><b>Abstrak:</b> Anggaran Pendapatan dan Belanja Negara (APBN) memegang peran penting dalam mengelola kebijakan fiskal dan mendukung pembangunan nasional di Indonesia. Penelitian ini bertujuan untuk menganalisis kondisi nyata APBN Indonesia, dengan fokus pada defisit anggaran yang terus berlanjut dan ketidakefisienan dalam belanja pemerintah. Metode yang digunakan adalah deskriptif kualitatif dengan menelaah data sekunder dari laporan resmi dan literatur yang relevan. Hasil penelitian menunjukkan bahwa Indonesia masih mengalami defisit anggaran, yang menyebabkan ketergantungan pada pembiayaan melalui utang. Selain itu, APBN sangat bergantung pada pendapatan pajak, sementara ketidakefisienan dalam belanja publik dan subsidi yang tidak tepat sasaran, khususnya subsidi bahan bakar, tetap menjadi masalah signifikan. Kondisi ini mengurangi ruang fiskal dan membatasi kemampuan pemerintah untuk mengalokasikan dana ke sektor produktif seperti pendidikan dan kesehatan. Penelitian ini menyimpulkan bahwa peningkatan efisiensi anggaran memerlukan reformasi komprehensif, termasuk perbaikan sistem perpajakan, penargetan subsidi yang lebih tepat, peningkatan transparansi, dan pengelolaan utang yang lebih hati-hati. Upaya-upaya ini penting untuk memastikan kebijakan fiskal yang berkelanjutan dan memaksimalkan kesejahteraan masyarakat.</p>
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## INTRODUCTION

The State Budget (APBN) is a fundamental instrument in managing a country's fiscal policy and serves as a key tool for achieving national economic and social objectives. It plays a crucial role in allocating financial resources, supporting sustainable economic growth, reducing inequality, and improving overall public welfare (Emilda Sulasmi et al., 2023). In Indonesia, the state budget is structured to finance a wide range of government expenditures, including infrastructure development, education, healthcare services, social assistance programs, and other public services that directly affect citizens' quality of life. Through these allocations, the government aims to stimulate economic activity, create employment opportunities, and promote equitable development across regions.

In addition, the state budget functions as a stabilizing mechanism during periods of economic uncertainty. By adjusting spending and revenue policies, the government can respond to external shocks such as global economic fluctuations, inflationary pressures, and financial crises. From a macroeconomic perspective, fiscal policy—implemented through the state budget—plays a central role in managing aggregate demand. Both classical and Keynesian theories emphasize that government spending and taxation are essential tools to either stimulate or restrain economic activity depending on prevailing economic conditions (Yusupova et al., 2024).

Despite its strategic role, the implementation of the state budget in Indonesia continues to face several structural and practical challenges. One of the most persistent issues is the budget deficit, which occurs when government expenditures exceed total revenues. This condition has become a recurring feature of Indonesia's fiscal policy, requiring the government to rely on borrowing as a primary source of financing. According to Keynesian theory, budget deficits can be justified during economic downturns to stimulate growth through increased public spending. However, prolonged and uncontrolled deficits may lead to rising public debt, higher interest burdens, and reduced fiscal sustainability (Manasse, 2005; Purwoko & Wibowo, 2020). Therefore, maintaining a balance between economic stimulation and fiscal discipline is essential.

Another major concern is inefficiency in budget allocation. From a public finance perspective, efficient government spending ensures that limited resources generate maximum social and economic benefits. However, inefficiencies often arise due to poor planning, weak institutional capacity, lack of coordination, and governance issues. These problems are reflected in delayed project implementation, low budget absorption rates,

and expenditures that fail to produce optimal outcomes. As a result, the effectiveness of fiscal policy in achieving development goals becomes limited.

Subsidy policy is also an important aspect of government expenditure that has been widely discussed in the literature. Subsidies are intended to support vulnerable groups and stabilize the prices of essential goods. However, in practice, subsidies often suffer from poor targeting. In Indonesia, energy subsidies have frequently been criticized for disproportionately benefiting higher-income groups rather than low-income households. This misallocation reduces the redistributive impact of government spending and places additional pressure on the state budget.

On the revenue side, taxation remains the primary source of government income. However, challenges such as low tax compliance and administrative inefficiencies limit the government's ability to generate sufficient revenue. As a result, the government becomes more dependent on debt financing to cover budget deficits. To address this issue, fiscal reforms such as improving tax administration, expanding the tax base, and adopting digital systems are often recommended to enhance revenue performance.

Furthermore, the issue of fiscal decentralization highlights disparities in the distribution of funds between central and regional governments. Although decentralization policies aim to promote balanced regional development, disparities in development outcomes across regions persist. This indicates that budget allocation mechanisms and implementation at the local level still require improvement to ensure equitable distribution of resources.

Overall, both theoretical and empirical literature emphasize the importance of sound fiscal management characterized by efficiency, transparency, and accountability. Strengthening fiscal discipline, improving the targeting of public expenditure, optimizing revenue collection, and enhancing coordination between central and regional governments are essential steps toward improving the effectiveness of the state budget. By addressing these challenges, the APBN can better fulfill its role as a driver of inclusive and sustainable economic development while improving public welfare.

## **METHOD**

This study employs a qualitative descriptive research design to analyze the condition of Indonesia's state budget and identify key issues related to budget deficits and expenditure efficiency. This approach is considered appropriate because the research focuses on understanding real-world fiscal conditions, policy challenges, and

institutional factors rather than relying on quantitative measurement. The study aims to provide a comprehensive description of how the state budget is managed, identify recurring patterns, and explain the relationship between fiscal policies and their outcomes in practice.

The data used in this research are secondary data obtained from credible sources, including official government publications such as reports from the Ministry of Finance, state budget documents, annual fiscal reports, academic journals, and books related to public finance and fiscal policy. In addition, relevant articles and economic analyses are used to support the discussion and provide broader context. The use of these sources ensures that the data are reliable and relevant to the topic being analyzed.

Data collection is conducted through a documentation method, which involves gathering, reviewing, and analyzing written materials such as policy documents, reports, and previous research findings. This method allows the researcher to obtain a broad understanding of fiscal trends and government policies without direct field observation. The collected data are then analyzed using qualitative descriptive analysis, which includes data reduction, data presentation, and conclusion drawing. Relevant information is selected and organized into key themes such as budget deficits, revenue structure, and expenditure efficiency, allowing for systematic interpretation.

Furthermore, a case study approach is applied to provide a more in-depth analysis, particularly focusing on fuel subsidies as a representation of budget inefficiency. This case study helps illustrate how fiscal policies are implemented in practice and highlights the challenges faced by the government in managing public funds. The scope of this research is limited to the national level of Indonesia's state budget, with a focus on major issues such as persistent deficits, dependence on tax revenue, inefficiencies in public spending, and subsidy allocation.

## **RESULTS AND DISCUSSION**

This section presents the main findings of the study based on the analysis of Indonesia's state budget conditions, followed by an in-depth discussion linking these findings to real-world fiscal challenges and theoretical perspectives.

### **Persistent Budget Deficit**

The analysis indicates that Indonesia consistently operates under a budget deficit. This condition occurs when government expenditures exceed total revenues, requiring the

government to rely on external financing, primarily through public debt. While deficits are commonly used as a fiscal tool to stimulate economic growth, especially during economic downturns, their continuous occurrence raises concerns regarding long-term fiscal sustainability. In Indonesia's case, the persistence of deficits suggests structural issues in revenue generation and expenditure management. If not carefully controlled, increasing debt levels may lead to higher interest payments, which in turn reduce the government's capacity to allocate funds for productive sectors. Therefore, maintaining a manageable deficit level is essential to avoid excessive fiscal pressure.

### **High Dependence on Tax Revenue**

The findings reveal that tax revenue remains the dominant source of state income. However, this dependence also exposes the vulnerability of the budget to fluctuations in economic performance and tax compliance levels. When economic growth slows down, tax revenues tend to decline, which directly affects the government's fiscal capacity. Moreover, relatively low tax compliance and a narrow tax base limit the potential for revenue expansion. This condition highlights the need for comprehensive tax reforms, including improved administration, digitalization, and stricter enforcement (Miller et al., 2020). Strengthening tax capacity is crucial to reduce reliance on debt and ensure a more stable fiscal structure.

### **Inefficiency in Public Expenditure**

Another significant finding is the presence of inefficiencies in government spending. These inefficiencies are reflected in several forms, such as delayed project implementation, underutilization of allocated budgets, and expenditures that do not generate significant economic or social impact. In some cases, large portions of the budget are allocated but not fully absorbed within the fiscal year, indicating weaknesses in planning and execution. Additionally, certain programs fail to deliver expected outcomes due to poor targeting or lack of coordination between institutions. These inefficiencies reduce the overall effectiveness of fiscal policy and limit its contribution to national development.

### **Case Study of Fuel Subsidies**

Fuel subsidies provide a clear example of budget inefficiency and policy challenges. Although subsidies are intended to support lower-income groups and maintain price stability, in practice, a significant portion of these benefits is enjoyed by

higher-income households. This misallocation creates multiple negative impacts. First, it increases the fiscal burden on the government, as a large share of the budget is spent on subsidies that are not optimally targeted. Second, it reduces the availability of funds for more productive sectors such as education, healthcare, and infrastructure (Dartanto, 2013). Third, it limits the government's flexibility in responding to other economic priorities. Furthermore, efforts to reform subsidy policies often face strong public resistance, particularly when fuel prices increase. This creates a policy dilemma, where the government must balance fiscal responsibility with social and political stability.

### **Inequality in Budget Distribution**

The study also finds that despite fiscal decentralization, disparities in regional development remain significant. Transfers from the central government to local governments are intended to promote equitable development; however, differences in administrative capacity and governance quality across regions affect the effectiveness of these funds. Some regions are able to utilize the allocated budget efficiently, while others struggle with planning and implementation. As a result, the impact of government spending is uneven, and development gaps persist. This indicates that improving institutional capacity at the regional level is as important as increasing the amount of budget allocation.

### **Key Challenges in Budget Management**

Based on the findings, several major challenges can be identified:

- **Global economic uncertainty**, which affects revenue stability and expenditure needs
- **Low tax compliance**, limiting the government's ability to generate sufficient income
- **Corruption and budget leakage**, reducing efficiency and accountability
- **Increasing social expenditure demands**, especially for welfare and public services

### **Discussion and Policy Implications**

The findings of this study are consistent with public finance theory, which emphasizes the importance of efficiency, sustainability, and accountability in fiscal management. Persistent deficits, inefficient spending, and poorly targeted subsidies indicate that Indonesia's fiscal policy still faces structural weaknesses. To address these issues, several policy implications can be considered. First, improving revenue capacity through tax reform is essential to strengthen fiscal resilience (Kravchuk, 2020). Second, reallocating expenditures toward more productive and targeted programs can enhance the

impact of government spending. Third, increasing transparency and accountability can reduce corruption and improve public trust. In addition, better coordination between central and regional governments is necessary to ensure that budget allocations are effectively implemented. Strengthening institutional capacity at all levels of government will play a key role in improving overall fiscal performance. Overall, the results highlight that while the state budget has strong potential as a tool for development, its effectiveness depends heavily on how well it is managed. Improving efficiency and ensuring proper allocation of resources are critical steps toward achieving sustainable economic growth and social welfare.

## **CONCLUSION**

This study highlights that Indonesia's state budget plays a crucial role in supporting national development and maintaining economic stability. However, the findings indicate that the implementation of the state budget still faces several significant challenges. The persistence of budget deficits shows a structural imbalance between revenue and expenditure, leading to a continuous reliance on debt financing. While this approach can support short-term economic needs, it may pose risks to long-term fiscal sustainability if not properly managed. In addition, the heavy dependence on tax revenue, combined with relatively low tax compliance, limits the government's ability to generate sufficient income. On the expenditure side, inefficiencies in public spending and poorly targeted subsidy policies reduce the overall effectiveness of the budget. The case of fuel subsidies demonstrates how large portions of government spending may not reach the intended beneficiaries, thereby weakening the impact of fiscal policy on social welfare. Moreover, disparities in budget distribution and differences in regional capacity further affect the effectiveness of fiscal decentralization. These issues indicate that improving the state budget is not only a matter of increasing revenue or reducing expenditure, but also enhancing the quality of governance, planning, and implementation. Overall, improving the effectiveness and efficiency of Indonesia's state budget requires comprehensive and sustainable reforms. Strengthening tax systems, reallocating expenditures toward more productive sectors, improving subsidy targeting, and enhancing transparency and accountability are essential steps. By addressing these challenges, the state budget can better function as a strategic tool to promote inclusive economic growth, reduce inequality, and improve public welfare.

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