

The Effect of Economic Recovery Budget Efficiency on Price Stability in Indonesia: The Moderating Effect of COVID-19 Fluctuations

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ABSTRACT

People's purchasing power are dropped during the coronavirus disease 2019 (COVID-19) pandemic resulting in deflation. This condition will aggravate the macroeconomic performance and economic activity of the community. The government as an economic stabilizer must take appropriate steps to create a good economic climate. On this basis, this study was formulated to review the technical efficiency of the social and economic recovery safety policy on price level movements during the COVID-19 period. This study uses efficiency analysis: Data Envelopment Analysis and Regression of short-term OLS-Estimator (STEOLSE) which involves all components of the social-economic recovery budget, inflation, economic uncertainty, economic policy uncertainty, and COVID-19 fluctuations. The results suggest that the technical efficiency of the social-economic recovery policy in the previous period will lead to a decrease in the price level. Meanwhile, the increase in COVID-19 cases caused prolonged deflation. This indicates that good budget absorption will be followed by an increase in people's purchasing power. However, the increase in COVID-19 cases will encourage people to continue to practice social distancing so that consumption activities are also disrupted.

Keywords: *Data Envelopment Analysis, COVID-19 Pandemic, Economic Recovery, Inflation, Uncertainty*

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INTRODUCTION

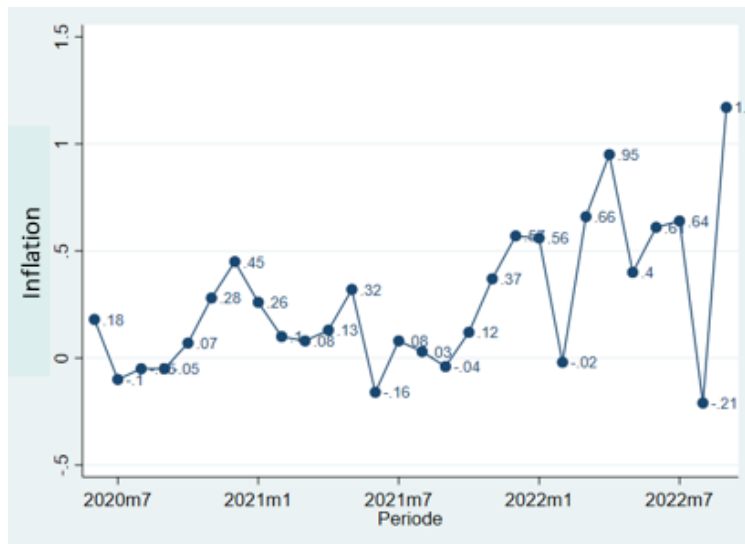
The world economic paradigm has experienced a significant slowdown due to the Corona Virus Disease 2019 (COVID-19) pandemic. This economic slowdown is in the form of a decrease in gross domestic product which can then result in a recession in the economy in a country. The most dominant factor in influencing is the purchasing power of the community represented by aggregate consumption. Based on BPS expenditure, the consumption side is uncontrolled due to conditions that result in the economy in Household consumption (RT) weakening from 5.04% to -2.63% and consumption of Non-Profit Institutions serving Households (LNPRIT) slowing from 10.62% to -4.29%. Meanwhile, based on the behavioral aspect, there was a decline in people's purchasing power caused by the precautionary motive by saving money. The precautionary motive is done so that a person

remains in an established position, with this reason people intend to delay their consumption in a short period of time (Danisman & Demir, 2020).

Not only consumption slowed down, investment, trade, and government spending have also experienced a massive decline during COVID-19. At least there has been a decline in investment from 3.25% to 1.94% in every industry sector. The decline in investment is due to a reduction in employment. On the other hand, trade activities also experienced the same thing, falling from -0.87% to -17.77%. Meanwhile, government spending also experienced a diversion of consumption from 3.25% to 1.94%. The decline in government spending is due to the impact of shifting consumption from infrastructure to health. During 2020, at least Indonesia experienced a slowdown in economic growth of -2.09%. This condition resulted in sluggishness in the economy, thus encouraging deflation. The COVID-19 pandemic not only has implications for growth indicators but also affects social aspects and price levels. At least there have been large-scale to micro social restrictions imposed by the government in the period 2020-2021.

These large-scale and micro-scale social restrictions cause the movement of goods and transactions to slow down relatively. In addition, restrictions are long enough to disrupt the stability of the financial system. Both indications should go hand in hand and not experience the slightest disturbance, if both experience a slowdown, the long-term effects can be felt in various regions in Indonesia. On the other hand, PSBB forces the government to always spend as much as possible to stimulate the economy during a pandemic. High restrictions have also increased uncertainty. For at least two years, economic uncertainty has experienced massive volatility, pushing the economy into a prolonged depression. On the other hand, massive restrictions also force inflation to experience volatility. Recorded during 2020-2022 has experienced a decline in prices to the level of -0.16 and -0.21. This decline occurred due to consumption patterns that experienced a slowdown and stagnation on the industrial side.

Inflation occurred due to price fluctuations that were affixed through an increase in several expenditure groups. These groups include food, beverages and tobacco by 1.49 percent, clothing and footwear by at least 0.03 percent. Meanwhile, in terms of housing, water, electricity and household fuel by 0.03 percent. On the supplies, equipment and routine maintenance side of the household by 0.08 percent. Not only that, but health also experienced an increase of 0.19 percent, transportation by 0.46 percent and the provision of food and beverages / restaurants by 0.27 percent. The uncertainty of economic policy during 2020 due to the pandemic makes macroeconomic stability necessary. Stabilization is necessary so that economic performance can improve slowly (Szczygielski et al., 2021). A very large macroeconomic shock leads to a decrease in aggregate demand and supply. This condition will force the government to issue certain instruments in order to restore economic performance that has decreased (Schaal, 2012).

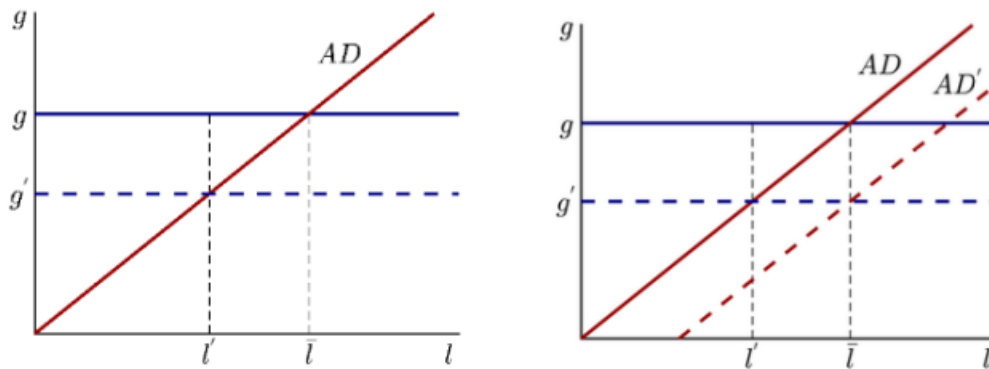


Source: World Bank

Figure 1. Price level progress during 2020-2022

Discretionary stabilization policies are the most important part in accelerating and restoring the economy due to a shock. Meanwhile, consumer and private households are the lines that play a role in creating economic strengthening. Policy makers who have provided access to both fiscal and monetary recovery policies need budget absorption, optimization and actualization from consumers and the private sector so that stability can be achieved (Zhang et al., 2022). Some previous studies have not discussed much about the efficiency of national economic recovery policies on inflation. Previous research more often discusses the impact of COVID in a biased manner (Seiler, 2020) and consumption effects on inflation (Cavallo, 2020; LaBelle & Santacreu, 2022). Meanwhile, studies examining the economic recovery have mostly been associated with an increase in COVID-19 cases (Ashfaq & Bashir, 2020; Auerbach & Gale, 2020; Čajková et al., 2021).

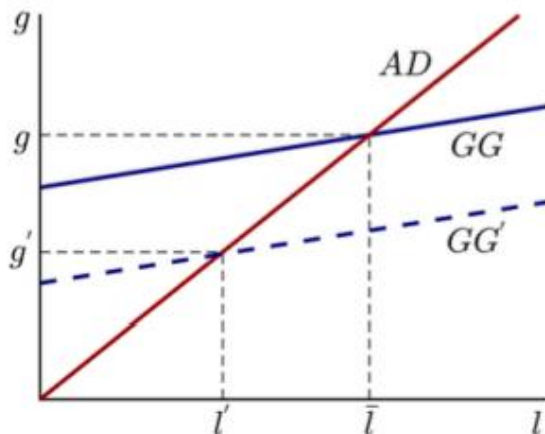
The New Keynesian Model is standardized as a review of macroeconomic analysis that relates that labor and output are determined by aggregate demand (Galí, 2015). On the other hand, aggregate demand is dependent on productivity growth, which rises along with the positive trend of (Romer, 2019). Meanwhile, positive confidence and a good understanding of future inflation expectations will encourage greater consumption than at present (Mankiw, 2016). This condition will certainly result in a transmissional relationship between indicators in the macroeconomy. Lorenzoni (2009) states that this transmissive effect gives rise to a positive relationship between productivity growth (g) and labor (l), which is illustrated by the AD curve in Figure 2.



Source: Mankiw (2016)

Figure 2. Impact of COVID-19 on Aggregate Demand

The figure shows that the economy is initially at full employment (g, \bar{l}). Meanwhile, the COVID-19 pandemic causes a continuous decline in productivity growth from g to g' . As illustrated in the left part of Figure 1, the lower demand leads to involuntary unemployment ($l < \bar{l}$). What can be learned in the case of the COVID-19 pandemic is its negative impact on expectations which will then reduce future productivity growth and can lead to a demand-driven recession. Meanwhile, monetary policy through the central bank reacts by lowering the interest rate and then the intervention will support aggregate demand by influencing certain sectors to increase borrowing and spending. Graphically, the AD curve will shift to AD' if the monetary stimulus is strong enough, resulting in full employment returning to normal as illustrated in Figure 1 on the right.



Source: Mankiw (2016)

Figure 3. Doop-Loop Aggregate Demand and Supply

In reality, productivity growth is at least partly driven by corporate investment and government spending (Dixit & Pindyck, 2012). In general, investment decisions depend on

aggregate demand, when demand is strong returns from investment tend to be high while aggregate demand is weak, suppressing firms' incentives to invest (Ludvigson et al., 2021). This effect creates a positive relationship between productivity growth and aggregate demand.

The first study to review the government's response through budget deficit due to development dynamics was conducted by Patinkin (1995). Meanwhile, the development of the budget deficit paradigm over time is often associated with macroeconomic performance such as inflation. In fact, some previous studies mostly revealed the opposite relationship between budget deficit and inflation. Some of the first findings revealed that there is a relationship between high inflation and budget deficit (Fischer & Modigliani, 1978; Fischer et al., 2002). Fischer (2002) revealed that inflation will encourage the government to disburse more funds. Meanwhile, research conducted by Gavrilencov (1995) and Cardoso (1998) also revealed that a loose budget deficit will force inflation. This is due to high spending which directly increases prices. On the other hand, Vicente et al (2007) instead reveals that budget deficit has a negative effect on inflation. This is because a moderate price level does not cause an increase in inflation. Meanwhile, Catao & Terrones (2005) Some of these opinions suggest that an increase in the budget deficit will lead to two possibilities: an increase in inflation and a deflationary trend. This depends on the different economic performance and conditions of a country.

The relationship between inflation and budget deficit is a complex one, influenced by various factors. Research in Nigeria, Egypt and Latin America has shown that budget deficits can lead to inflationary pressures (Adekunle, 2022; Al-Senjari & Al-Anzi, 2023; Aragaw, 2024; Garba, 2023; Ibrahim Abdu, 2022). In particular, research in Nigeria highlights the long-run dynamic relationship between budget deficits and inflation, indicating that increasing deficits contribute to inflation (Adekunle, 2022). Similarly, in Egypt, a significant effect of fiscal deficit on inflation was found, emphasizing the importance of addressing fiscal imbalances to control inflation (Ibrahim Abdu, 2022). In addition, studies in Latin America, particularly Argentina, support the direct impact of budget deficits on the inflation rate, with an increase in the deficit leading to an increase in the inflation rate (Al-Senjari & Al-Anzi, 2023). These findings underscore the importance of prudent fiscal management to reduce inflationary pressures stemming from budget deficits.

Finally, budget efficiency research is only limited to analyzing descriptively (Fahrianta & Carolina, 2016; Sari et al., 2018). On this basis, research on the topic of economic recovery policy efficiency has many gaps and wider space when it comes to price stability. Therefore, this study aims to analyze the effect of the efficiency of national economic recovery policies on price stability where the COVID-19 case will moderate the changes in efficiency. It is expected to contribute in revealing the level of budget efficiency during COVID-19. Not only that, this research can also be used as a means of moderating the price level so that its movement is relatively stable over a period of time. Fiscal policy efficiency plays an important role in shaping economic outcomes and public welfare. Research shows that optimizing fiscal policy can yield significant benefits. Research shows that the overall

efficiency of fiscal and taxation policies can be evaluated using methods such as Data Envelopment Analysis and Analytic Hierarchy Process (Wu et al., 2022). Optimal fiscal policy involves a combination of capital and labor income taxes, transfers, and government debt to achieve redistribution and insurance goals (Dyrda & Pedroni, 2023). Green fiscal policies, such as public support and tax rebates, have been shown to reduce energy poverty and improve energy efficiency, positively contributing to economic and environmental goals (Chien et al., 2022). Moreover, the impact of the direct tax component on economic growth suggests that lowering direct taxes can stimulate consumption, investment, competitiveness, and overall economic growth, leading to a more efficient tax system (Balasoiu et al., 2023). Selain itu, pemerintah daerah dengan pendapatan fiskal yang melimpah cenderung menunjukkan efisiensi tata kelola lingkungan yang lebih tinggi, yang menekankan pentingnya menyelaraskan kebijakan fiskal dengan tujuan lingkungan untuk pembangunan berkelanjutan (Gu et al., 2022).

Fiscal policy plays an important role in price stability. This policy role has come to be known as fiscal stimulus (Cevik & Miryugin, 2023; Dao et al., 2023; Liu et al., 2023; Surjaningsih et al., 2012). Fiscal stimulus can have an impact on price stability, but the magnitude of the impact depends on various factors, including the size and timing of fiscal policy implementation, the overall economic environment, and the effectiveness of monetary policy coordination. The various transmissions that can cause price volatility that the implementation process needs to mitigate counterfactually. When fiscal stimulus is implemented during a period of strong economic growth, it has the potential to cause inflationary pressures. This is because increased government spending and tax cuts can increase aggregate demand in the economy, leading to higher consumer spending and business investment. If the economy is already operating at or near full employment, such stimuli can push prices upwards.

The distribution of the benefits of fiscal stimulation can also affect price stability. If the stimulus disproportionately benefits certain groups or industries, it may lead to an increase in demand and prices in those sectors, potentially causing local inflation (El Husseiny, 2023). If the stimulus is mainly directed towards infrastructure investment or productive assets, it can boost the supply side of the economy, leading to increased productivity (Vagliasindi & Gorgulu, 2021). If the stimulus disproportionately benefits certain groups or industries, it could lead to increased demand and prices in those sectors, potentially causing local inflation (Lin et al., 2023). Not only that, too large or ill-timed stimulus disbursements can cause the economy to overheat, leading to inflationary pressures and undermining price stability. Therefore, under certain conditions fiscal stimulation should be tailored to the condition of the economy. During a recession or when the economy is operating below its potential (negative output gap), fiscal stimulus may be needed to boost demand and employment. Based on previous research, the accompanying factor of budget efficiency has a positive effect on inflation (Brandt & Zhu, 2000), COVID-19 has a negative effect on inflation (Cavallo, 2020b), economic and policy uncertainty has a positive effect on inflation (Grier et al., 2004). This context then becomes an integrating factor given that the relationship between fiscal stimulation and price stability is complex

and context-dependent. Policymakers should carefully assess current economic conditions, the potential impact of fiscal measures, and the need for coordination with monetary policy to achieve the dual objectives of promoting economic growth and maintaining price stability.

On these basics, research on the topic of economic recovery policy efficiency has many gaps and wider space when it comes to price stability. Therefore, this study aims to analyze the effect of the efficiency of national economic recovery policies on price stability where the COVID-19 case will moderate the changes in efficiency. It is expected to contribute in revealing the level of budget efficiency during COVID-19. Not only that, this research can also be used as a means of moderating the price level so that its movement is relatively stable over a period of time.

METHOD

Based on the theoretical study, this research uses two approaches, namely Data Envelopment Analysis (DEA) (Ji & Lee, 2010) and OLS Short-Term Regression Estimator (Gujarati & Porter, 2013). The use of DEA is applied to detect the efficiency of economic recovery policies during the COVID-19 pandemic. In general, the DEA model for this study is as follows:

$\theta^* = \theta$ subject to

$$\sum_{j=1}^n \lambda_j x_j \leq \theta x_i \quad [1]$$

$$\sum_{j=1}^n \lambda_j y_j \geq y \quad [2]$$

$$\sum_{j=1}^n \lambda_j = 1 \quad [3]$$

$$\lambda_j \geq 0 \quad [4]$$

Where θ is the efficiency score, j , x , and y are period, input, and output, respectively. The three are then substituted based on the preparation of budget efficiency using data on budget allocations, social protection, health protection, and productive incentives for MSMEs and others. The efficiency score obtained is provided that if $eff = 1$ then it is called efficient and constant return to scale, if $eff < 1$ then it is called inefficient and decreasing return to scale, and $eff > 1$ then it is called inefficient and increasing return to scale. Furthermore, the indicators that make up the efficiency level are explained in Table 1 as follows:

Table 1. Compilation of Budget Efficiency Levels

	Variable	Definition
Input	Perlinks	Absorption of PEN funds for health
	Perlinsos	Absorption of PEN funds for social
	Productive Incentive	Absorption of PEN funds to the productive side
Output	Budget allocation	All available budget

Meanwhile, the relationship between the efficiency of economic recovery policies can be expressed as follows:

$$inflation_t = \alpha_0 + \alpha_1 inflation_{t-1} + \alpha_2 efficiency_{t-1} + covid_t + \ln eu_t + \ln epu_t + e_t \quad [5]$$

Where $inflation_t$ is price level of this year, $inflation_{t-1}$ is price level of the previous year, $efficiency_{t-1}$ is the technical efficiency level of the economic recovery policy last year, $covid_t$ is confirmed level of COVID-19, $\ln eu_t$ is economic uncertainty of this year, $\ln epu_t$ is the economic policy uncertainty, and e_t is the other factors.

This study uses secondary data derived from the National Economic Recovery Policy (PEN) Monthly Report, Bank Indonesia Monthly Inflation Report for 2020-2022, and the World Uncertainty Indicator (WUI) data stream. The data used in compiling the relationship between variables include the PEN budget allocation, monthly inflation, economic uncertainty index, and policy uncertainty index.

Table 2. Variable Definition and Units

Variable	Definition	Units
Inflation	Monthly Price Level	Percent
Efficiency	Technical Efficiency	Percent
Covid19	COVID-19 confirmed case rate	Percent
$\ln eu$	Level of economic uncertainty	Percent
$\ln epu$	Level of economic policy uncertainty	Percent

This study uses Short Term OLS-Estimator (STOLSE) regression (Gujarati & Porter, 2013). In this regression, the data estimation process is carried out in stages and follows the rules of classical assumptions which include multicollinearity, heteroscedasticity, autocorrelation, normality, and specification problems. Meanwhile, statistical testing requires coefficient of determination, student t-test, and simultaneous F-test.

FINDING AND DISCUSSION

Descriptive Statistic and Correlation Matrix

The following table 3 is the result of descriptive statistics grouped by measures of concentration and dispersion including mean, standard deviation, and maximum-minimum range.

Table 3. Descriptive Statistic

Variable	Obs	Mean	Std. Dev.	Min	Max
Inflation	27	2.131	1.077	1.32	4.94
Efficiency	27	0.88	0.178	0.563	1
covid19	27	8.67	4.88	0.147	14.02
EU	27	258.34	55.83	175.99	366.87
EPU	27	267.299	55.98	186.91	379.25

Source: Author's estimation result

Based on the available data, inflation is at a mild level and can be controlled. Meanwhile, the level of budget efficiency shows that the absorption of allocations is not proportional to the funds allocated by the government. On the other hand, confirmed cases of COVID-19 show a very moderate level. Economic uncertainty and economic policy are at relatively standard levels. When aggregated as a whole, the available data shows that most of the data distribution is free from outliers. Thus, the data can proceed to the inferential analysis stage. The following table 4 shows the results of testing the correlation between variables using pairwise correlation.

Tabel 4. Correlation Matrix

Variables	(1)	(2)	(3)	(4)	(5)
(1) inflasi	1.000				
(2) efisiensi	-0.800	1.000			
(3) covid19	-0.900	0.881	1.000		
(4) Ineu	0.288	-0.301	-0.277	1.000	
(5) Inepu	0.291	-0.317	-0.287	0.998	1.000

Source: Author's estimation result

Based on the estimation results of the table above, efficiency and COVID-19 cases are negatively correlated with inflation. Meanwhile, economic and policy uncertainty are positively correlated with inflation. Furthermore, if examined further, only efficiency and COVID-19 cases have a strong influence on inflation. The remaining economic uncertainty and economic policy have very little effect. On the other hand, there is a multicollinearity relationship between COVID-19 with efficiency and policy uncertainty with economic uncertainty. On this basis, the use of efficiency is emphasized in the previous period and the use of economic uncertainty and policy uncertainty is separated based on the estimation model to avoid other specification problems. Thus, the estimation process can be carried out accurately using an inferential approach.

Estimation Result

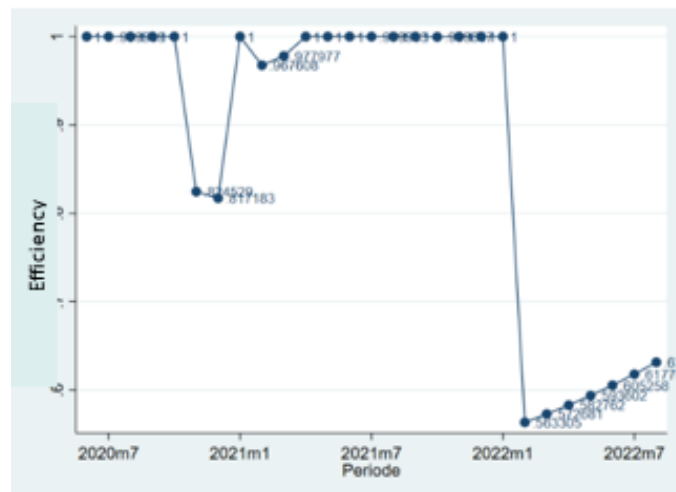
The following table 5 is the result of the estimation of the efficiency of the national economic recovery policy calculated in annual average.

Table 5. Budget Efficiency Estimation Result

Period	Lenght	Efficiency
2020	6 Months	0.948807
2021	12 Months	0.999958
2022	8 Months	0.645834

Source: Author's estimation result

Based on the estimation results above, it shows that technical efficiency was not achieved for three years. This efficiency non-achievement is realized through the amount of budget absorption spread within a certain period. Not only that, but this also relatively good measurement prioritizes all aspects of single inputs and outputs to determine the level of technical efficiency. If traced continuously, there are at least two periods in the highest case of COVID-19 that have an efficiency level close to 1. This indicates that the realization is almost close to the planned budget during COVID-19. Meanwhile, the relatively stable estimation process makes this efficiency level measurement valid and can be interpreted according to the criteria. However, after COVID-19, the efficiency case declined, which resulted in low temporal budget absorption. This indicates that the budget only runs smoothly during COVID-19 and gradually decreases afterwards.



Source: Author's estimation result

Figure 4. Efficiency Rate of National Economic Recovery (PEN) Policy

In terms of changes in efficiency, the first time the budget was relatively efficient and experienced a decline in the early period of 2021. Furthermore, it returns to the perfect efficiency level in mid-2021 to 2022. The success of this monthly efficiency level allegedly reflects the suitability of the PEN budget realization share. The following Table 6 presents the results of the short-term OLS regression estimation which is differentiated by economic uncertainty and economic policy.

Table 6. Estimation Results of the Effect of PEN Budget Efficiency on Price Stability

	(1) inflasi	(2) inflasi
L.inflation	0.722*** (0.097)	0.721*** (0.098)
L. efficiency	-1.296** (0.531)	-1.303** (0.533)
covid19	-0.044** (0.02)	-0.044** (0.02)
lnue	-0.107 (0.246)	-
lnup	-	-0.119 (0.257)
_cons	2.793 (1.628)	2.873 (1.707)
Observations	26	26
F-stat	130.51***	130.36***
Multicolinierity	No.	No.
Heteroscedastisity	No.	No.
Autocorrelation	No.	No.
Normality	Normal	Normal
R-squared	0.961	0.961

Standard errors are in parentheses

*** $p < .01$, ** $p < .05$, * $p < .1$

Source: Author's estimation result

Based on the estimation results above, it shows that the efficiency of the previous period and COVID-19 have a significant negative effect on inflation. Meanwhile, economic uncertainty and economic policy have no effect on inflation. On the other hand, if all indicators are tested as a whole, it shows that all four have a significant effect on inflation. The regression assumption test shows that it is free from classical problems of multicollinearity, heteroscedasticity, autocorrelation, and normality. Finally, the coefficient of determination shows that 96% of the independent variables are able to explain the dependent variable.

Discussion

The results of table 5 state that the average PEN policy budget allocation is not technically efficient. This is due to the residual value of the remaining budget which may not be used by beneficiaries. This condition lasted for 3 years since PEN was issued. An apple-to-apple comparison indicates that for two consecutive years the amount of budget disbursed was not proportional to the proposed achievements (constant return to scale). This mismatching of the legitimization process is projected to come from the transmission of management transfer to local governments. In addition, the long travel time and

information in the process of providing the reporting process is one of the obstacles to seeing the extent to which the funds are absorbed by the beneficiaries. On the other hand, in 2022 a decrease in efficiency also occurs where the level of budget absorption is the reference. Efficiency results that lead to decreasing returns to scale make the allocation have more residual value.

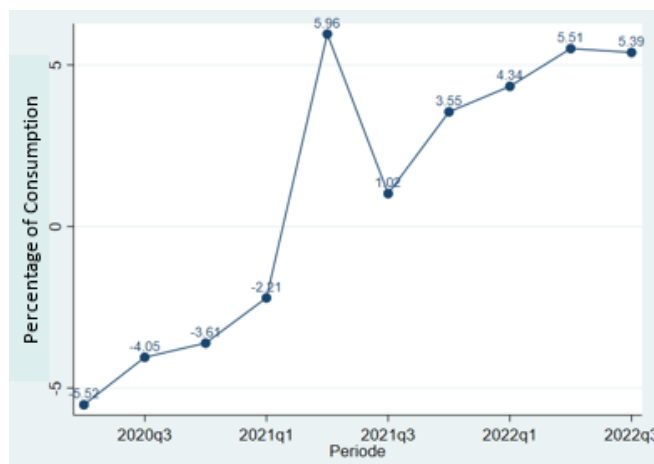
This condition is the most important part in analyzing the performance side of realization because a comparison between budget and budget absorption needs to be made. This is necessary so that the continuity of funds from the center to the beneficiaries is much more compatible. Meanwhile, the travel time of funds to beneficiaries is also the most dominant means in order to minimize inefficiency. The government can increase the amount of realization by means of strict supervision for fund disbursement agencies and conducting a monitoring process for the public if the budget needs to be optimized. Based on the PEN report, it shows that the funds for community protection and MSME empowerment are still relatively large. This indicates that the focus of the prioritized distribution of funds for the productive sector is still relatively high and dominant. For this reason, budget efficiency needs to be carried out so that the absorption is much better and produces a high multiplier for the regions.

The results of Table 6 show that the efficiency of the national economic recovery budget of the COVID-19 trend has a negative effect on inflation. This is in accordance with several previous studies where actually revealed that *budget deficit* has a negative effect on inflation. This is due to the fact that moderate price levels do not cause an impact on increased inflation. Meanwhile, previous study also revealed that the budget deficit will force a price cut in a country that has strong economic tensions in the short term. Some of these opinions suggest that an increase in the budget deficit should result in two possibilities, namely an increase in inflation and deflation.

A broad understanding of budget efficiency creates its own embryo for sustaining price stability. The performance of Table 6 states that at least when the budget can be distributed, the beneficiary community can easily use the funds for their respective needs. On the other hand, the COVID-19 case is a form of moderation where the existence of funds channeled during COVID-19 makes people delay their consumption for a certain period so that inflation does not occur and vice versa. This condition is not expected by the government; however, natural behavior is considered to dominate so that purchasing power cannot be raised quickly. Meanwhile, the COVID-19 economic recovery in Indonesia should indeed focus on health and social protection allocations due to the increasing trend of cases. This indicates that the focus of budgeting is not fully aimed at increasing industrial productivity and people's purchasing power so that inflation cannot easily rise freely within a certain period. Apart from that, large-scale and micro-scale social restrictions cause the movement of people and the flow of goods to be relatively stagnant. This causes the commodity chain to not be able to adjust prices easily. This is one of the reasons that when

the COVID-19 trend increases, inflation is unlikely to occur. Apart from that, large-scale and micro-scale social restrictions cause the movement of people and the flow of goods to be relatively stagnant. This condition causes the commodity chain cannot easily make price adjustments. This is one of the reasons that when the COVID-19 trend increases, inflation is unlikely to occur.

Based on the consolidation of these phenomena, the efficiency of the previous year has the potential to reduce price increases in the current period. It is evident that the injection from the government has a systemic impact on increasing the stimulus of people's purchasing power within a certain period. Not only that, but the distributed budget also directly impacts on the development of consumption and keeps people's income at a relatively good level. On the other hand, this high level of efficiency encourages a new paradigm, namely that the budget gradually changes the mindset of the community to always use it on necessities.



Sumber: BPS (2016), processed

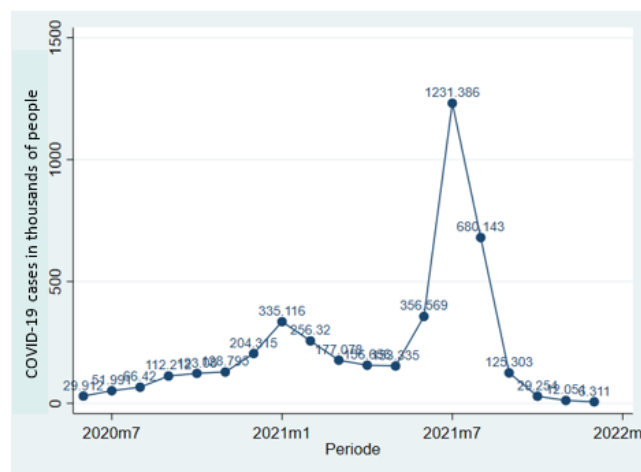
Figure 5. Percentage of Consumption during the Pandemic COVID-19

Based on Figure 4, consumption levels during the pandemic have actually increased for certain products. These products include health, which amounted to 73.3%, while foodstuffs, data packages, and food-beverages amounted to 65.8%, 56.7%, and 46.1% respectively. On the other hand, consumption of electricity amounted to 55.2%. This condition certainly illustrates that most of the consumption is done to mitigate and treat COVID-19. This condition suggests that it is important to utilize public consumption, especially to restore purchasing power so that the economy gradually progresses. Apart from that, consumption is also allegedly the embryo of aggregate price changes within a certain period, which also has implications for price stability even to the lowest point. This condition, if left unchecked, will trigger deflation. This condition implies that it is important to utilize public consumption, especially to restore purchasing power so that the economy

gradually progresses. Apart from that, consumption is also alleged to be the embryo of aggregate price changes within a certain period of time, which also has implications for price stability even to the lowest point. This condition, if left unchecked, will trigger deflation.

Deflation generally refers to a phenomenon of massive price decline. Deflation is not only caused by a weakening Consumer Price Index (CPI) but also by an increase in unemployment. It can be directly observed that Indonesia is experiencing deflation with the inflation rate standing at 1.68 percent. This is a cause for concern if stagnation is also haunting aggregate economic performance, as falling prices indicate weakening purchasing power for certain products. Not only that, the potential to achieve stability is also relatively difficult if prices experience a gradual weakening.

The decline in wages received by workers has led to a decline in consumer purchasing power. This then becomes one of the factors that affect the role of consumers as the dominant actors in the economy. In aggregate, the weakening purchasing power is reflected in the declining core inflation. Weakening demand can also be seen from the community's retail spending activity. The demand and sales of retail goods contracted deeply to the point that the decline led to changes in demand followed by a reduction in corporate activity including layoffs could create a higher chance of a vicious cycle and reduce economic growth directly. Budget efficiency is expected to provide shares for the community to be used as a means of fulfilling life so that prices can be fiscally controlled. On the other hand, central and local fiscal collaboration needs to be improved in order to create a good economic climate and sustainable consensus. It should be noted that the budget stimulus is a bridge for the sustainability of poverty alleviation in the future.



Sumber: COVID-19 Task Force, processed

Figure 6. COVID-19 cases during 2020-2022

The government through the National Economic Recovery (PEN) program has allocated Rp695.2 trillion in stimulus funds for economic construction due to COVID-19,

especially for social protection which is possible to cut the vicious cycle. One of the improvements from the aggregate demand side is by maintaining consumption by adapting and using two major frameworks, namely subsidies and social assistance (BANSOS) for the poor and vulnerable. Social protection stimulus, the lower middle class can maintain their spending so that it is expected that purchasing power and inflation can be controlled progressively. As of the end of December 2020, the realization for social protection has reached 95%, indicating that the PEN program is a means to restore the economy from the aggregate demand side and has been relatively successful in protecting people from extreme poverty.

The condition then states that the sustainability of price stability is reflected through the best budgeting without directly connecting with the community. The interconnection between variables creates inflation conformity so that price spikes are not easy to occur quickly. Meanwhile, from the aspect of the COVID-19 surge, which is increasing throughout the year, it causes stakeholders to start reducing the number of their workers within a certain period of time. This transmission is then determined by means of a temporal connection, i.e. the previous year's budget has an impact on price stability itself. This condition is an integral part of the argument that COVID-19 is able to influence the price level unilaterally.

Economic uncertainty is allegedly one of the global and regional performances that have relatively no influence on price stability in Indonesia. This indicates that a relatively stable economy cannot be influenced from any transmission. An economy that relies on domestic consumption creates the potential for the connectivity of economic growth and price stability. Not only that, but Indonesia is also a country that has no dependence on uncertainty, which provides its own insights for the process of utilizing the budget for the better. Economic policy uncertainty is also an integral part of the sustainability of price stability. Most policy uncertainty has a positive effect on price stability. However, in the current condition, policy uncertainty does not have a massive influence. This condition then becomes the main point in explaining the performance of the domestic economy because economic development is not only intervened by the government but is still largely dominated by the activities of economic actors. In addition, a relatively centralized policy makes economic activity can be easily monitored periodically by involving several existing advantages.

CONCLUSION

Based on the discussion, the level of efficiency of the economic recovery policy is at a technically inefficient level during 2020-2022. This is due to the uneven budget absorption that makes it must have a residual value. On the other hand, budgeting is quite complex so that achievements cannot be monitored with certainty. Meanwhile, budget efficiency and COVID-19 trends have a significant negative effect on inflation. The budget allocation that

is quite massive and only aimed at health and social protection does not create prolonged deflation in the following period. In addition, the performance of people who are more restrained in consumption also exacerbates the level of inflation in a certain period. Meanwhile, the impact of large-scale social restrictions causes the flow of people and goods/services to be relatively slow, and prices cannot be easily adjusted. In addition, some people had to accept the consequences of the impact of the supply shock, which resulted in many businesses laying off workers for a short period of time. However, economic and policy uncertainty did not affect the price level over the period. This is because the resilience of an economy dominated by domestic behavior makes it more robust to any intervention.

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