

ANALYSIS OF BUDGET IMPLEMENTATION QUALITY THROUGH BUDGET ABSORPTION INDICATORS AT BKPM IN 2023

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Abstract

The effectiveness of the budget implementation of a government agency is reflected in the absorption of the budget. This study examines the budget absorption indicators of the Ministry of Investment and Downstream Industry/BKPM for the year 2023 using the performance indicators for budget implementation derived from the PER-5 PB 2022 and 2024. With low absorption at the beginning of the year and a significant increase in the last quarter, the results of the analysis reveal anomalies in the absorption pattern, which suggest a slow pattern of backloading of expenditure. Internal management, budget reallocations that undermine the stability of planning and implementation, and policy and regulatory changes, such as mid-year budget changes, are the main sources of imbalance. The quality of budget implementation can be improved to promote efficiency, effectiveness, and optimization of the use of the budget following the principle of value for money in public finances. To overcome these problems, more realistic budget planning is needed, based on historical data and real needs. In addition, regular monitoring and evaluation mechanisms need to be reinforced to ensure consistency between budgetary targets and implementation in each quarter.

Keywords: Budget Absorption, IKPA, Backloaded Expenditure, Budget Planning and Execution, Efficiency and Effectiveness in Budgeting

INTRODUCTION

Effective and efficient budget execution is a key element of good governance (Nurhidayat, 2023). The government allocates funds to ministries and institutions to support various programs and policies, and it ensures that public spending is aligned with national development goals. A budget absorption indicator is one of the most important tools to measure an institution's capacity to manage and use its budget effectively. Budgetary absorption reflects how well financial resources are spent in a given financial year, and its performance is often linked to the overall success of public financial management. The Ministry of Investment and Downstream Industry (BKPM) plays a key role in promoting investment and downstream industries, and the budget's implementation is therefore an important factor in achieving the national economic development objectives.

In practice, however, implementation of the budget is not always in line with initial

budget planning. One of the persistent problems encountered by government agencies is the slow pace of back-loading of expenditure, with most of it being absorbed at the end of the budget year. This may have a negative impact on the efficiency and effectiveness of public expenditure, leading to hasty spending, suboptimal allocation of resources, and potential inefficiencies in the delivery of public services (Yusuf, 2023). According to the BKPM report, the overall absorption rate in 2023 was 97 per cent of the annual target. However, the distribution of expenditure remained uneven between quarters. Budgetary absorption was only 71 percent of the quarterly target in the first quarter, dropping further to 41 percent in the second quarter, before increasing to 96 percent in the third quarter and experiencing a significant increase to 258 percent in the fourth quarter. This trend shows an excessive reliance on end-of-year expenditure, which was also observed in 2021 and 2022, indicating that this problem is recurring and requires structural adjustment.

Several internal and external factors contribute to the volatility of the monthly appropriations of BKPM. According to the analysis of the financial statements by BKPM, the main issues are frequent budget revisions, changes in budgetary policy, administrative constraints, and the reallocation of resources. Repeated budget revisions throughout the year create uncertainty in the payment of funds and the implementation of programs, making it difficult for the services to maintain a steady absorption rate. In addition, limited human resources in financial management and procedural inefficiencies continue to hamper the timely implementation of planned expenditures (Syahwildan and Damayanti, 2022).

To address these issues, this study analyzes the budgetary absorption trends of BKPM for the year 2023 using the IKPA performance indicator. By examining patterns and identifying underlying causes of budgetary imbalances, the study aims to provide strategic recommendations for improving the efficiency and effectiveness of budgetary management. The findings are expected to not only improve the financial performance of BKPM but also help governments develop more precise budgetary rules and frameworks to ensure a more balanced and efficient implementation of fiscal policy.

In this context, a comprehensive analysis of budget execution quality is required, using budget absorption performance indicators as the primary measurement tool. This study examines BKPM's budget execution data for 2023 based on two key regulatory parameters: PER-5/PB/2022, which was in effect during the period under review, and PER-5/PB/2024, which is currently in use. By incorporating both regulations, this study provides a comparative assessment of budget execution quality based on both previous and updated performance standards. This approach enables the formulation of relevant recommendations to support future improvements in budget implementation.

IMPLEMENTATION METHOD

The study uses a quantitative descriptive method to analyze the trends in budget absorption at BKPM, using numerical data to describe the patterns and assess the quality of budget execution. According to Wiwik (2022), a quantitative descriptive study is any study that uses numerical statistics to conclude observed phenomena and provides a structured approach to the exploration of a subject. The primary data source for this study is the official

budget realization report of BKPM, which includes the budget realization records for all four quarters of 2023. In addition, the evaluation framework is based on the budget implementation performance indicator, following the guidelines set out in PER-5/PB/2022 and PER-5/PB/2024, which serve as a key benchmark for assessing the efficiency and effectiveness of budget execution over time.

The research starts with the collection of budget execution data for the year 2023 from internal BKPM financial reports. The recorded figures are then compared with the budgetary targets to show the trend in the absorption of appropriations during the year. The study uses IKPA-PA calculations to measure the efficiency of budget implementation in each quarter and to detect the presence of slow back-loading of expenditure with a significant concentration of absorption in the last quarter. By integrating the PER-5/PB/2022 and PER-5/PB/2024 regulations, the study provides a comparative analysis to assess how changes in the performance evaluation frameworks affect budget implementation.

The study also examines several key factors contributing to budgetary imbalances, including policy and regulatory changes, internal governance constraints, and the impact of budget redistribution on spending. These factors are analyzed to determine their role in causing the inefficiency of the collection and execution of the budget. In order to reinforce the findings, the study also includes historical comparisons with the budget execution trends for 2021 and 2022 to provide a more comprehensive picture of how BKPM's budget execution has evolved over time.

The findings of this evaluation are then used to formulate strategic recommendations to improve financial planning, monitoring, and control mechanisms. Using this methodology, the study aims to provide a detailed and data-driven insight into the trends in BKPM's budget absorption and to offer practical solutions for improving the efficiency and effectiveness of government budgetary management. The findings of this exercise are expected to support the design of more structured financial policies, ensuring a more balanced distribution of expenditure over the different fiscal years and reducing reliance on annual expenditure increases.

RESULTS AND DISCUSSION

Budget Absorption Trends at BKPM in 2023

The analysis of the report on the implementation of the budget for the year 2023 by BKPM shows an uneven distribution of budget absorption over quarters, with a significant concentration of expenditure in the fourth quarter. The absorption rates for each quarter are shown in Table 1.

Table 1. BKPM Budget Absorption by Quarter in 2023

Quarter	Budget Absorption
Q1	71%
Q2	41%
Q3	96%
Q4	258%

Source: BKPM Budget Realization Report (2023)

The trend in the absorption of the budget by BKPM for the year 2023 is shown in Table 1, which has been calculated by comparing the actual quarterly expenditure with the quarterly targets. The absorption rates in the first and second quarters were significantly below expectations, reaching only 71 and 41 percent respectively. The situation improved in the third quarter when 96 percent of the budget was absorbed, close to the level expected. However, there was a dramatic increase in the fourth quarter, with absorption exceeding the target by 258 percentage points, indicating a backloaded expenditure pattern.

This uneven distribution is in line with past trends for 2021 and 2022 and points to structural inefficiencies in the implementation of the budget. This imbalance raises concerns about the efficiency of budget planning and allocation, as a large part of the budget is spent towards the end of the year, which could lead to a rush to spend and a lack of oversight.

Performance Evaluation Based on IKPA-PA

For a further assessment of the quality of budget execution, the study uses the IKPA-PA (Budget Implementation Performance Indicator) using PER-5/PB/2022 and PER-5/PB/2024 as reference points. The IKPA-PA scores for each quarter of 2023 are presented in Table 2.

Table 2. IKPA-PA Scores for BKPM in 2023

Quarter	IKPA-PA Score PER- 5/PB/2022 (Scale 20%)	IKPA-PA Score PER-5/PB/2024 (Scale 20%)	Category
Q1	14.15	14.98	Cukup (Fair)
Q2	12.14	12.72	Kurang (Poor)
Q3	12.37	12.77	Kurang (Poor)
Q4	14.28	14.57	Cukup (Fair)

Source: Analysis based on BKPM Budget Execution Report (2023)

The IKPA-PA evaluation highlights fluctuations in the execution of the budget over the period 2023, with the lowest scores recorded in the second and third quarters and classified as poor. The minimal difference in scores between PER-5/PB/2022 and PER-5/PB/2024 indicates that the regulatory changes have not had a significant impact on the implementation of the budget. This means that the main problems in budget execution remain structural rather than regulatory.

Although budget absorption increased in the fourth quarter, the IKPA-PA score remained in the fair category, which shows that high spending is not in itself an indicator of efficient financial management. The concentration of expenditure towards the end of the year indicates a reactive rather than a proactive approach to the implementation of the budget, which may result in inefficiencies.

Several factors, including inefficiencies in budget planning, administrative delays, and implementation problems, could have contributed to the fluctuation of the IKPA-PA scores. Changes in the regulations may also have had an impact on budget absorption and reporting consistency. These issues underline the need for a more structured and proactive approach to budget management to ensure both timely implementation and optimal financial performance.

Factors Contributing to Budget Absorption Imbalances

The analysis identified a number of key factors contributing to the imbalance in the absorption of BKPM's budget, including frequent budget revisions, internal management constraints, and policy-driven reallocations. These factors have consistently disrupted financial planning and execution, resulting in inefficient use of the budget.

One of the main factors is the frequent budget revisions, which create uncertainty about the disbursement of funds and delay the implementation of programs. During the year 2023, several budgetary modifications changed the allocation of funds and affected the ability of the Ministry to implement projects as planned. The budget was initially set at around Rp1.1 trillion but was increased later as a result of changes in fiscal policy. The introduction of additional funding and the subsequent redistribution policies have led to a lack of consistency in financial planning. These repeated revisions undermined long-term budgetary strategies and hampered operational consistency.

Administrative and internal governance constraints have also contributed to imbalances in the absorption of the budget. The timeliness of budget implementation was affected by bureaucratic inefficiencies, procedural delays, and limited human resources. Long approval procedures and gaps in coordination between work units have prolonged the disbursement of funds, reducing the efficiency of budget use. Moreover, internal budget allocation procedures required additional administrative steps, which further slowed down budget implementation.

Another critical factor is the reallocation of budgetary resources and the policy changes that occurred in the middle of the year as a result of the shifting of government priorities. These reallocations forced ministries to adjust their financial plans, which often resulted in inefficient spending. For example, budget flexibility measures have allowed for more discretion in the use of the Funds, but have also required a re-engineering of spending planning. Similarly, budget cuts and realizations in previous years show how sudden policy changes have historically affected spending patterns.

Implications and Strategic Recommendations

The slow pace of back-loading of expenditure as observed by BKPM for the year 2023 presents several risks to budgetary effectiveness, which affect both financial performance and the efficiency of government programs. Delayed absorption of funds in the first quarters resulted in a surge in expenditure towards the end of the budget year, creating major administrative and operational problems. One of the main consequences of this pattern is an increase in workload in the final months, which leads to hasty spending and strains the administrative processes. Moreover, last-minute expenditure may not always be aligned with strategic objectives, which may lead to inefficient allocation of resources. Late payment of funds also affects the timely implementation of public programs and services, thereby reducing their overall impact and effectiveness.

To improve budget implementation efficiency, a more accurate approach to planning is essential to ensure a balanced expenditure pattern throughout the year. By analyzing historical trends, BKPM can develop more realistic forecasts, reducing the risk of under-execution in the early quarters. Strengthening oversight through structured monitoring mechanisms also helps track progress, detect delays early, and enable timely corrective action. Additionally, minimizing mid-year budget revisions through better coordination between financial planning units and policymakers can create a more stable and predictable execution process, reducing disruptions and improving overall fiscal management.

By implementing these strategies, BKPM can improve the efficiency of budget absorption and ensure that expenditure is distributed more evenly across all quarters rather than concentrated at the end of the budget year. In addition, strengthening inter-service coordination, simplifying administrative procedures, and increasing the capacity of human resources in budget implementation will help to reduce inefficiencies and improve financial management. A more balanced approach to budgetary implementation will not only enhance fiscal discipline but also promote wider macroeconomic stability and sustainable economic growth.

CONCLUSION

The budget absorption performance indicator, which measures the quality of budget execution in BKPM in 2023, shows that the assessment category is still in the range of Fair to Poor. Although the cumulative budget execution reached 97 percent of the annual target, the distribution of budget execution still shows a delayed, back-loaded trend in expenditure, with low execution rates from the beginning to mid-year and a significant increase in the fourth quarter. This pattern is in line with the trend of previous years and indicates that problems with budget planning and execution still need to be addressed.

The findings of the study show that several underlying factors, such as the high frequency of budget revisions, internal management constraints, and the impact of reallocation of appropriations on program implementation, contribute to the imbalances in budget absorption. To address these issues, more practical budget planning, better budget allocation, and better monitoring and evaluation systems are needed to ensure that budget execution is

more efficient and effective every quarter. The value for money of the State's financial management is expected to be supported by the implementation of these measures, which should increase the efficiency and effectiveness of BKPM's budgetary management. Each budget allocation should be able to support the implementation of government strategic initiatives in a more sustainable manner and with a more focused and balanced distribution of the budget to deliver the best benefits to national development.

In addition, external factors, including evolving government priorities and unforeseen policy adjustments, have also played a role in the imbalances in the absorption of the budget. Economic fluctuations, regulatory changes, and policy reversals have forced agencies to change spending priorities abruptly, disrupting the planned budget implementation and reducing overall effectiveness. The continued pattern of mid- and end-year budget revisions indicates a structural inefficiency in financial planning which needs to be addressed to improve the stability of the budget absorption.

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