

# CHAPTER I

## INTRODUCTION

### 1.1. Research Background

At the end of 2019, the world was shocked by the outbreak of a new type of virus, namely the coronavirus (SARS-CoV-2), commonly known as Coronavirus disease 2019 (Covid-19). This virus originated from Wuhan – China was discovered in late December 2019 but quickly spread and infected many humans in most countries around the world and became a pandemic. The primary transmission source in the spread of Covid-19 is from human to human, so the spread becomes more aggressive. People who have direct contact with patients confirmed positive in Covid-19 are most at risk of contracting this virus.

On March 25, 2020, a total of 414,179 confirmed cases were reported, with 18,440 deaths (CFR 4.4%) of which cases were reported in 192 countries (WHO, 2020). No exception, Indonesia is also one of the countries infected by Covid-19. On March 12, 2020, the President of the Republic of Indonesia officially announced the first 2 cases of the Covid-19 pandemic in Indonesia. This announcement indicates that Indonesia has entered the ranks of countries infected by Covid-19. As of March 25, 2020, it was recorded that 790 cases have been confirmed positive for Covid-19 in Indonesia.

On March 26, 2020, to be precise, in Bukittinggi, the Governor announced that the first positive case of the Covid-19 was confirmed in the West Sumatra region. Since the first case was reported, the number of positive confirmed cases in West Sumatra Province has increased day by day. Padang City is a region with the

highest positive cases of Covid-19 in West Sumatera, and it became a red zone area. Based on Covid-19 monitoring data in West Sumatra, on September 22, 2020, the total positive cases in Padang City were 844 people (see Figure 1.1).

**Figure 1.1. : West Sumatra Province Covid-19 Monitoring Data**

*Source : Health Department – West Sumatera Province*



The President ordered Regional Heads from Provinces to Regencies and Cities to determine the spread of Covid-19 in their regions in consultation with the National Disaster Management Agency (BNPB). The President's statement followed up on the determination of Indonesia into the status of a Non-Natural Covid-19 National Disaster. At the end of March 2020, the President of the Republic of Indonesia finally decided to implement large-scale social restriction (PSBB) in cities and provinces instead of regional quarantine. The instructed steps were to carry out the learning and work processes at home (WFH), recommend postponing activities that involve large numbers of participants, and carry out testing for Covid-19 infection and treatment to the fullest.

To prevent the spread and transmission of Covid-19 in West Sumatra, the local Government conducted massive contact tracing and testing in collaboration with the Biomedical Laboratory of the Faculty of Medicine, Andalas University. On April 17, the Indonesian Minister of Health approved the proposed large-scale social restrictions (PSBB) for the West Sumatra region. Thus, through The Decree of The Governor Of West Sumatera Number: 180-297-2020, the PSBB in the West Sumatra region officially prevailed on April 22, 2020. Then, PSBB extended into Phase II and III. Even when the PSBB in West Sumatra Province ended on June 7, 2020, the City of Padang still implemented PSSB to transition until June 12, 2020.

The increase in positive cases that continue to increase in Padang City, especially in September and October, is dominated by the civil servant (ASN) and other office employees such as BUMN, campuses, and health workers. The significant spread of Covid-19 requires efforts from various parties to overcome it. Many policies issued by the government tend to focus on efforts to reduce the spread of Covid-19. One of them is the WFH policy which is expected to suppress the spread of Covid-19 within the government. The Governor of West Sumatra also instructed the heads of Local Government Units and heads of other agencies to reaffirm the application of health protocol rules in their respective offices. The implementation of WFH and other policies will undoubtedly impact the performance of regional officials, which will also have an impact on regional financial management, especially in Padang City as a region with the highest positive cases of Covid-19 in West Sumatra.

In addition, the Local Budget (APBD) is an essential instrument in controlling Covid-19 in the regions because with the right budget policies; the local

governments can implement all forms of policies such as social policies, health, and controlling economic impacts. As the function of the APBD in economic stability, it has a role in reducing economic turmoil carried out through expenditure policies and local revenues. It also happened in central government, which was marked by The change in the 2020 State Budget posture, which is contained in Presidential Regulation Number 54 of 2020, is a form of responsibility of the Ministry of Finance in managing state finances to maintain an economy that is disrupted due to the Covid-19 pandemic.

According to Sujarweni (2015), a public sector budget is a form of accountability from the organization's management holders to provide information on all organizational activities and programs to the organization's owners to manage and implement public funds in running a program financed by public money. In achieving the purpose of engaging these responsibilities, it is necessary to improve a good system in governing government to maintain consistency. The growth of the public sector needs to be responded to by strengthening the governance system, which is commonly known as *Good Government Governance*.

According to Abdul Halim (2014), APBD is defined as: "a local government financial operational plan, which on the one hand describes the highest estimated expenditure to finance regional activities and projects for a certain fiscal year, and on the other side, describes estimates and sources of regional revenue to cover the expenditures." However, local governments as public organizations must pay attention to Value for Money in carrying out their activities, including accountability for the economical, efficient, and effective implementation in achieving goals and objectives.

So far, several studies have raised the topic of budget absorption in local government agencies. One of them is research conducted by Andik Suyitno (2020) entitled *Dampak Pandemi Terhadap Penyerapan Anggaran di Kantor Kementerian Agama Kabupaten Mojokerto*, found that the spread of Covid-19 had an influence on budget absorption at the Mojokerto Regency Ministry of Religion Office. In his research, Andik Suyitno uses the efficiency ratio and the budget absorption performance value to process the existing data. His research shows a positive impact from Covid-19 on budget absorption, namely in terms of savings and efficient use of the budget. In addition, the negative impact is the performance value of budget absorption, which is included in the not yet good category.

Another study from Perdana Kusuma et al (2018) entitled *Studi Kasus Fenomena Tingkat Serapan Anggaran pada Satuan Kerja Perangkat Daerah*. This study aims to identify factors causing the low absorption budget local government units (SKPD), especially in the early year at Biro Umum Setda Provinsi Nusa Tenggara Barat. The researcher used a qualitative method, namely a case study approach to find the objective of the research. The results of this study illustrate that three factors are affecting the absorption rate of the budget. Those dominant factors are policy, administration, and human resources. These three factors strongly impact the budget absorption rate, which tends to be low in the early year and, as a result, occurs accumulation of budget at the end of the year.

Based on the conditions above and supported by several efforts from the Padang City government to prevent the spread of Covid-19, researchers see that can undoubtedly impact the realization of budget absorption in the Padang City

Government, both for revenues and expenditures at Local Government Units in Padang City. This situation then attracted the interest of researchers to analyze the budget absorption at Local Government Units in Padang City during the Covid-19 Pandemic entitled **“Analysis of Effectiveness and Efficiency of Budget Absorption at Local Government Units in Padang City During Covid-19 Pandemic.”** This research aims to analyze the effectiveness and efficiency of budget absorption in the Local Government Units in Padang City during the Covid-19 pandemic. Researchers also want to know the impact of the Covid-19 pandemic on budget absorption for Local Government Units in Padang City.

## **1.2. Research Problem**

Based on the background description above, the problem formulation is stated in the form of questions as follows:

1. How is the Revenue Effectiveness at Local Government Units in Padang City during Covid-9 Pandemic?
2. How is the Expenditure Efficiency at Local Government Units in Padang City during Covid-19 Pandemic?
3. What is the Impact of the Covid-19 Pandemic on the Budget Absorption at Local Government Units in Padang City?

### 1.3. Research Objective

The Covid-19 spreading in Indonesia has shown a significant increase, so the President of the Republic of Indonesia has designated Covid-19 as a non-natural national disaster. The Covid-19 outbreak in Indonesia necessitates efforts by various parties to overcome it. The same thing also happened in West Sumatra Province and Padang City. The Government made many efforts to prevent the spread of Covid-19, thus impacting budget absorption, either in revenue or expenditure. This research aims to analyze the revenue effectiveness and expenditure efficiency of budget absorption at Local Government Units in Padang City during the Covid-19 pandemic. Researchers also want to know the impact of the Covid-19 pandemic on budget absorption on Local Government Units in Padang City.

### 1.4. Research Benefit

This research is expected to give contributions and benefits, including:

#### 1. Theoretical Benefits

This research is expected to be useful for the development of accounting knowledge, especially in public sector accounting regarding budget absorption of local Government.

#### 2. Practical Benefits

a) For academics, this research is expected to enrich library materials and contribute to the development of theories, especially those related to public sector accounting, specifically to understand budget absorption.

- b) For local governments, the results of this study are expected to provide consideration and input for the development of government performance in local government budget management and take necessary corrective actions to effectiveness and efficiency of budget absorption.
- c) Furthermore, this research is expected to be used as information material, literature for further research development.

### **1.5. Writing Systematics**

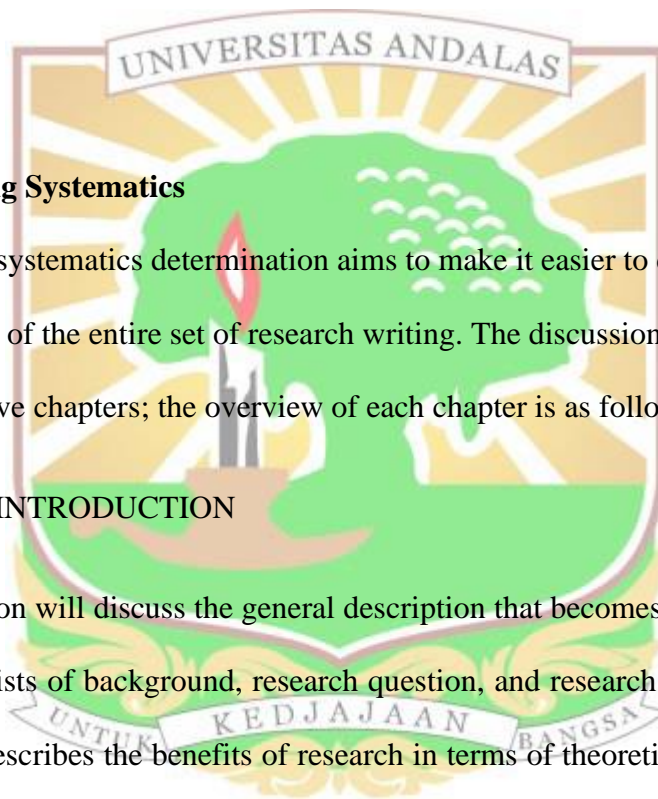
Writing systematics determination aims to make it easier to compile and study the parts of the entire set of research writing. The discussion in this study is described in five chapters; the overview of each chapter is as follow:

#### **CHAPTER I: INTRODUCTION**

The introduction will discuss the general description that becomes the basis of this research, consists of background, research question, and research objectives. This chapter also describes the benefits of research in terms of theoretical and practical advantages and writing systematically.

#### **CHAPTER II: LITERATURE REVIEW**

This chapter outlines the theoretical basis used in this study and the theory related to the research problem. Moreover, this chapter also looks at previous research.





### CHAPTER III: RESEARCH METHOD

The research method provides an overview of the plan for conducting the research.

This chapter explains the research design, subject of study, types & sources of data, data collection methods, and data analysis methods.

### CHAPTER IV: RESULT AND DISCUSSION

This chapter discusses the analysis of data processing and its discussion, which is an interpretation of data processing results. Interpretation of the results of this study will provide answers to the problems of this study.

### CHAPTER V: CONCLUSIONS AND SUGGESTIONS

This chapter is a concluding part that contains conclusions from the overall research results and limitations of the research conducted and suggestions for future research.

