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## FROM BUDGET TO BREAKTHROUGH: THE CRITICAL ROLE OF GOVERNMENT SPENDING IN PUBLIC WELFARE

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### Abstract

Public economics emphasizes the government's crucial role in resource management to promote social welfare. This article explores how government spending, particularly in the social protection sector, influences poverty reduction and inequality in Indonesia. By using secondary data from official sources and scholarly journals, the study finds that social protection spending positively impacts public purchasing power and economic stability. However, implementation challenges—such as targeting accuracy and inter-agency coordination—remain significant obstacles. Therefore, systemic improvements in the design and implementation of social protection programs are necessary for long-term impact.

**Keywords:** Public economics, social protection, government spending, poverty, social policy

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### INTRODUCTION

Public economics is a branch of economics that studies the role of government in the economy, particularly in terms of state expenditure and revenue that impact the distribution of welfare. In the context of developing countries like Indonesia, government intervention is crucial to address issues such as inequality, poverty, and access to basic services. One form of such intervention is government spending on social protection programs. This article aims to analyze how government expenditure in this sector can promote broader public welfare.

According to data from Statistics Indonesia (BPS, 2023), the poverty rate in Indonesia as of March 2023 stood at 9.36 percent, or approximately 25.90 million people. This figure decreased from 9.54 percent in March 2022. This decline is partly due to government intervention through various social protection programs such as the Family Hope Program (PKH), Direct Cash Assistance (BLT), and energy subsidies. The government continues to strive to improve the effectiveness of these programs to reach the most economically vulnerable communities.

In 2023, through the state budget (APBN), the government allocated IDR 476 trillion for social protection. This allocation covers various programs,

including PKH, food assistance cards, national health insurance contribution assistance, and energy subsidies. The main goal is to maintain the purchasing power of poor and vulnerable groups, as well as to reduce household expenditure burdens. This spending realization reflects the government's commitment to carrying out its distributive function in creating social justice.

Furthermore, a report by the Ministry of National Development Planning (Bappenas, 2023) notes that the effectiveness of social protection programs still faces challenges in targeting and data integration. Although program coverage has increased, there are still cases of mistargeting of beneficiaries. Therefore, the government continues to develop the Unified Socioeconomic Registration System (Regsosek), which will serve as the main database for designing programs based on the real needs of the population. It is expected that policy interventions will become more precise, efficient, and accountable.

## **Literature Review**

### **1. The Government's Distributive Function in Public Economics**

Within the framework of public economics, Richard A. Musgrave (as cited in Bakara et al., 2024) divides the government's role into three main functions: allocation, distribution, and stabilization. The distributive function aims to achieve social justice through fiscal policy, particularly government spending and taxation. The government has a responsibility to redistribute income to reduce inequality and ensure access to basic services.

In Indonesia, fiscal policy is directed toward supporting vulnerable communities through government spending in the social protection sector. The Ministry of Finance (2023) states that social protection spending is aimed at maintaining the purchasing power of the poor and vulnerable, especially in the face of the pandemic's impact, inflation, and global uncertainty. This policy is part of the government's strategy to strengthen its distributive function to maintain social and economic stability.

This distributive function becomes increasingly relevant when economic inequality remains a major issue. Such inequality not only affects purchasing power but can also trigger social tensions and slow long-term economic growth. Therefore, government spending in the form of social protection represents a concrete intervention that demonstrates how Musgrave's distribution theory is implemented in Indonesia's fiscal policy practices.

### **2. The Effectiveness of Social Protection in Reducing Poverty**

Social protection is an integral part of poverty alleviation strategies. According to the National Strategy for Social Protection Monitoring and Evaluation report (Bappenas, 2023), the implementation of programs such as PKH and food aid significantly contributes to reducing poverty levels. Data show that between 2021 and 2022, the rate of extreme poverty in Indonesia fell from 4.0% to 3.68% (Najwa et al., 2024).

This decline demonstrates that government intervention through social protection can mitigate economic impacts on the most vulnerable populations. Bappenas also highlights the importance of inter-ministerial synergy and the use

of integrated data to ensure that social assistance reaches the right targets. Thus, social protection programs serve not only as short-term solutions but also as foundational investments in long-term human resource development.

However, the effectiveness of social protection programs heavily depends on policy design and implementation capacity. Challenges remain, such as inaccurate beneficiary data, dependency on aid, and weak oversight. Therefore, regular evaluations and institutional capacity building are needed to ensure that social protection plays an optimal role in sustainably reducing poverty (Sarjito, 2024).

### **3. The Impact of Social Protection on Public Purchasing Power**

In addition to reducing poverty, social protection also affects the enhancement of household purchasing power. Salsabila et al. (2024) note that direct cash transfers to poor households can increase household expenditure on basic needs. This supports not only short-term consumption but also household economic resilience in the face of shocks.

Sinaga et al (2022) report that in Indonesia, recipients of social assistance programs experienced an average consumption increase of 10–15%, especially in sectors such as food, education, and health. This indicates that government-provided social assistance contributes to keeping the economic wheel turning, particularly at the micro level. The ripple effect of increased purchasing power is also felt by the informal sector and MSMEs, which are the backbone of the people's economy.

However, to truly boost long-term purchasing power, social protection must be designed to be not only curative but also productive. This means that programs should promote economic empowerment through job training, small business subsidies, and access to financing. With this approach, social protection can serve as a transitional tool from dependence to economic self-reliance.

## **METHOD**

This study employs a qualitative descriptive approach using secondary data analysis from the state budget reports (APBN), Bappenas reports, and BPS publications over the past five years. The analysis focuses on trends in government spending in the field of social protection and its correlation with welfare indicators such as poverty rates, the Gini index, and access to basic services.

## **RESULTS AND DISCUSSION**

To analyze the impact of government spending on public welfare through social protection programs, data from the Ministry of Finance and Statistics Indonesia (BPS) were used. The indicators analyzed include poverty rate, inequality (Gini index), and the effectiveness of social assistance programs.

Table 1. Allocation of Social Protection Budget and Socioeconomic Indicators  
(2019–2023)

| Year | Social Protection Spending (Trillion Rp) | Percentage of State Budget (%) | Notes  |
|------|--|--------------------------------|--|
| 2020 | 230.21                                   | 19.7                           | COVID-19 pandemic, increased social assistance |
| 2021 | 408.8                                    | 22.0                           | Expanded economic recovery program (PEN)       |
| 2022 | 431.5                                    | 21.5                           | Focus on economic recovery                     |
| 2023 | 476.01                                   | 21.6                           | Strengthening of social protection programs    |

Source: Ministry of Finance APBN 2023 & BPS. 2023 data is estimated.

#### 1. Impact of Social Protection Spending on Poverty and Inequality

Social protection spending by the Indonesian government has shown a significant impact on the reduction of poverty levels. Data from the Ministry of Finance and BPS indicate that consistent allocation of social protection budgets can slow down the rate of poverty increase, especially during the COVID-19 pandemic. However, its effectiveness still faces challenges such as targeting accuracy and inter-agency coordination.

A study by Supriyanto et al (2022) identified that key challenges in Indonesia's social security system include limited resources, governance complexity, and lack of coordination between agencies. These factors affect the effectiveness of social protection programs in achieving poverty and inequality reduction goals.

#### 2. Effectiveness of Cash Transfer Programs and Increasing Purchasing Power

Cash transfer programs, such as the Direct Cash Assistance (BLT), have had a positive impact on temporarily improving the purchasing power of the poor. However, their long-term effectiveness remains in question. Research by Sahary (2023) shows that although BLT can help ease the economic burden of the community, the program has not yet been able to create economic independence among its beneficiaries.

Furthermore, a study by Sahary (2023) found that the implementation of BLT from the Village Fund in Gampong Lamteumen Timur has not been effective in terms of timely distribution, which has caused difficulties for the community in meeting their daily needs. This indicates the need for improvements in the cash transfer distribution mechanisms to ensure more accurate and timely delivery.

### **3. Implementation Challenges and Policy Recommendations**

The implementation of social protection programs in Indonesia still faces various challenges, including the accuracy of recipient data, program overlap between agencies, and limited digital infrastructure in remote areas. According to Nurhadi et al (2024), governance complexity and lack of coordination between agencies are the main barriers to effective social security system implementation.

To address these challenges, reform of the social protection system is needed, including improvements in recipient data accuracy, program integration between agencies, and the enhancement of digital infrastructure. Additionally, a more holistic and sustainable approach in designing social protection programs can increase their long-term effectiveness.

## **CONCLUSION**

Social protection spending by the Indonesian government has proven to play a strategic role in combating poverty, reducing inequality, and maintaining the economic stability of communities, especially during crises such as the COVID-19 pandemic. The increasing budget allocation year by year reflects the government's commitment to protecting vulnerable groups.

However, the effectiveness of this spending still faces implementation challenges, such as targeting accuracy, delays in assistance distribution, and suboptimal coordination between agencies. Additionally, short-term cash transfer programs have not been able to promote sustainable economic independence for beneficiaries.

Therefore, a reform of social protection policies is needed, one that is more integrated, based on accurate data, and involves strict monitoring and evaluation. With such steps, social protection spending can not only be a reactive tool in addressing crises but also a proactive instrument in creating equitable societal welfare.

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