Research Paper

Evaluation of Budgeting Policy of the Ministry of Industry in Order to Improve the Performance of the Small and Medium Industrial Sector

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ABSTRACT

Reform in the field of budgeting is characterized by a paradigm shift in the field of budgeting planning set out in law No. 17 of 2003 which is indicated by 3 (three) approaches, namely the implementation of integrated budgeting, the implementation of medium-term spending frameworks and the implementation of performance-based budgeting. But there are some problems encountered such as there are revisions to activities in the current budget year, performance-based budgets are so detailed in the planning stage but when accountability becomes administrative, the pattern of budget absorption that accumulates at the end of the year and the distribution of budgets that are not appropriate are part of the obstacles in improving the industrial sector. This research has the aim (1) of evaluating the suitability of budgeting of the Ministry of Industry with a budgeting approach; (2) Analyze spending activities at the Ministry of Industry that significantly affect the SMEs sector. The results showed that all the principles and components that make up the concept of integrated budgeting, performance-based budgeting and medium-term spending framework have basically been implemented by the Ministry of Industry in the preparation of work plans and budgets. The results of the double linear regression analysis showed that the realization of the Ministry of Industry's spending on HR development spending and technology spending significantly negatively affected the productivity shown performance in the SMEs sector. Managerial implications that can be given, namely the need for increased awareness and high commitment from all ranks in the Ministry of Industry in the implementation of performance-based budgeting systems through the provision of rewards and punishments at the internal level of the Ministry of SMEs

Keywords: Budget, Ministry of Industry, Multiple Linear Regression, Small and Medium Industries

INTRODUCTION

The State Budget (APBN) is an instrument or tool to manage the national economy to achieve the goals of economic growth, reducing poverty, improving people's welfare and so on. The state budget contains a systematic and detailed list that contains a plan for state revenue and expenditure for one fiscal year starting from January 1 to December 31 that has 3 main components, namely state revenue, state spending and financing.

Through the allocation function, the state budget, especially the expenditure side, is aimed at development sectors. For example, for the present decade, the issue of unemployment has become so important that it becomes a normative charge in Law No.17 of 2003 on State Finance. This is natural because in the short term with the collapse of the Indonesian economy since the crisis in mid-1997 made Indonesia's employment conditions worsen. Since then, Indonesia's economic growth has also never reached 7-8 percent. In fact, the problem of unemployment is closely related to economic growth. The allocation function is

not only intended for the problem of unemployment but will also be adjusted to its goals or "in accordance with what should be". For example, to increase economic growth, the portion of the budget for infrastructure development must get the top priority. Or to increase human resources, the budget allocation for human resource development must be quite dominant. Thus, the allocation function will direct government budget spending on the orientation of the role to be carried out by the government.

Through the distribution function, the expenditure component in the budget has a dimension of equalization, either directly or indirectly. For example, spending to build economic infrastructure such as roads, dams, etc., will provide benefits to all parties. Alternatively, the opening of isolated areas will tend to strengthen the terms of trade of remote community groups. The largest marginal benefit of this action will usually be enjoyed by low- and middle-income groups versus those on high incomes, of which the latter has previously had (albeit limited) access. The role of state budget distribution is also related to efforts to improve the failure of market mechanisms (market failure) in lifting lower income groups and improving income distribution. This function runs in parallel with the revenue aspect where with a progressive tax system will provide a "fair" tax burden in accordance with the income received by each income group and then channelled through government spending.

In this stabilization is basically seen from two things, namely the controlling tool of inflation and stabilizing economic growth. These two things basically have a very close relationship. The state budget can also reduce the impact of inflation by sterilizing the budget, namely increasing government deposits on Bank Indonesia or accelerating the payment of foreign debt burdens. Thus, in the determination of the State Budget, referring to Law No.23 of 1999 concerning Bank Indonesia as amended by Law No.3 of 2004, Bank Indonesia provides opinions and considerations to the Government regarding RAPBN.

Effective financial management in the distribution of funds to spur productive sectors and increase economic competitiveness is a factor that needs to be considered. Apbn becomes a stimulus driving the wheels of the national economy to continue to grow at a time of various pressures due to global economic uncertainty. The strategic role of the State Budget in building the foundation of Advanced Indonesia through stabilization of economic growth is the National Medium Term Development Plan (RPJMN) 2020-2024.

Reform in the field of budgeting planning in Indonesia is marked by the changing paradigm in the field of budgeting planning indicated by three approaches, namely unified budgeting basically contains all the activities of government agencies in the state budget that are arranged in an integrated manner, including integrating routine spending budgets with development spending budgets is a necessary stage as part of long-term efforts to bring budgeting. ran becomes more transparent, and facilitates the preparation and implementation of performance-oriented budgets. The integration of the Regular Budget with the Development Budget is expected to avoid duplication of budgeting (Funding the same activities from two different budget sources).

The budgeting process needs to be the process of formulating budget policies in the public sector. The budget preparation stage, at the budget preparation stage is applied expenditure estimates on the basis of available revenue estimates. Related to the problem, which needs to be secured and considered is before agreeing to the estimated expenditure, he wants to first do a more accurate income assessment. In addition, it must be realized that there is a fairly dangerous problem if the revenue budget is estimated at the same time as making decisions about spending.

Furthermore, the ratification stage, this stage is a stage that involves a political process that is quite complicated and quite heavy. The executive leadership is required not only to have managerial skills but also must have adequate political skills, ship sales, and coalition building. The integrity and high mental integrity of the executive is essential at this stage. This is important because at this stage the executive leadership must have the ability to answer and provide rational arguments for all questions and objections from the legislature. Then, the stage of implementation / implementation of the budget, in this stage the most important thing is that must be secured and considered by the public financial manager is the accounting system (information) and management control system. Finally, the reporting and evaluation stage, the reporting and evaluation stages related to the field of accountability. If the implementation stage is supported by an impartial accounting system and management control system, it is expected that the budget reporting and evaluation stage will not find many problems. The purpose of public budgeting is to help the government achieve fiscal goals and improve coordination between the relevant environments of the government, assist efficiency and justice in providing useful public goods and deeds through the process of sanitization and allowing for the government to meet spending priorities.

The non-oil and gas processing industry sector has always been the sector with the largest contribution to GDP. The contribution of the processing industry in the third quarter of 2019 of 19.62% is the largest compared to other economic sectors. The non-oil and gas processing industry sector itself contributed 17.56 percent. The export value of the industrial sector in the period January-October 2019 amounted to USD105.11 billion. The investment value of the industrial sector in the period January-September 2019 amounted to Rp147.3 trillion. The number of industrial sector workers has increased since 2015, recorded in August 2019 the number of industrial sector workers as many as 18.93 million people with the food industry sector providing the largest absorption of 4.74 million people; The apparel industry is 2.65 million people and the timber industry is 1.69 million people.

Small and Medium Enterprises or SMEs are a business that conducts activities in the form of reselling various types of products produced by SMEs or Small and Medium Industries. Like the small stalls to the big stalls. In addition, SMEs usually carry out activities in the field of services such as laundry, repair of electronic devices, machinery and so on. In addition, SMES is a business that produces various types of products that are used in various activities of living things or others. If one has direct production and marketing activities, it can be referred to as SMEs and SMEs. SMEs products will be well played if SMEs are supported by various ease of distribution system techniques carried out by SMEs together with SMEs. Without SME business actors, SMEs business actors will be difficult in supplying production from the industry they live.

Small and Medium Industries in Ministerial Regulation 64/M-IND/PER/7/2016 is a form of economic activity that processes raw materials and/ or utilizes industrial resources so as to produce goods that have added value or higher benefits, including industrial services. Labor is a permanent labor force that earns or earns a certain amount of income on a regular basis. The value of investment is the value of land, buildings, machinery, equipment, facilities and infrastructure, excluding working capital used to carry out industrial activities. Meanwhile, industrial business activities include small industries, medium-sized industries, and large industries, which are determined based on the amount of Labor and/ or Investment Value.

Small Industry is an industry that employs at most 19 (nineteen) workers and has an investment value of less than Rp

1,000,000,000.00 (one billion rupiah) excluding land and buildings where businesses. The land and buildings of the place of business as referred to in paragraph (1) are land and buildings whose location becomes one with the location of the residence of the business owner. Medium industry, employs at most 19 (nineteen) people in Labor and has an investment value of at least Rp 1,000,000,000.00 (one billion rupiah). Lastly, a large industry is an industry that employs at least 20 (twenty) workers and has an investment value of more than Rp 15,000,000,000.00 (fifteen billion rupiah).

The strategic role of SMES is one of the encouragements of the Government which continues to strive for SMES to become one of the backbones of the economy with an increase in budget in the Ministry of Industry in allocating budgets in the development and growth sector of SMEs. However, in the current budget year the existing budget ceiling is not optimally absorbed, the tendency to spend the budget at the end of the year so that activities accumulate at the end of the year. The distribution of the budget will appropriately meet the performance targets set out in the strategic plan of the Ministry of Industry. Do not let what has been budgeted for the progress of the industry, especially SMES is not just budget absorption. The Government should be present through programs that suit the needs of SMIs, so that there is indeed a real role of government in advancing domestic industries.

The implementation of the budget is a very important stage in realizing government programs and activities that have been prepared in the State Budget. In the implementation experienced various obstacles, including the realization of budgets that tend to be low at the beginning of the year and accumulate at the end of the year. Ideally, the realization of the government budget follows the "S curve", which tends to stabilize at the beginning of the year, then increase in the middle, and return to stability towards the end of the budget year. Seen in the picture above there is a buildup of unrealized budgets in the first to third quarters, but at the end of the year realization tends to approach the budget budget. This shows that the realization of the government budget tends to be low at the beginning of the year indicated in the first to third quarter and only increased at the end of the budget year. Improper budget planning will be difficult in terms of realizing the budget so that there will be revisions and reordering which will certainly require extra time in a budgeting process. Aspects of planning that are not mature in determining the budget that will be presented will have an impact on the non-running of the work program that will be implemented so that it becomes one of the factors causing the lack of budget absorption.

Based on the description, the author is interested in conducting research, among others (1) Is the Budgeting of the Ministry of Industry in accordance with the law-mandated budgeting approach (2) Which types of budgets of the Ministry of Industry significantly affect the performance of the SMEs sector (3) What are the managerial implications for the Budgeting Policy of the Ministry of Industry.

LITERATURE REVIEW
Public Policy

Policy is an instrument of government, not only in the sense of government that only concerns the state apparatus, but also governance that touches on the management of public resources. Policies are essentially decisions or choices of action that directly regulate the management and distribution of natural, financial and human resources in the public interest, namely the people, population, society or citizens. Policy is the result of synergy, compromise or even competition between ideas, theories, ideology and interests that represent a country's political system.

Heinz Eulau and Kenneth Prewitt, 1973 in Leo Agustino (2006) in their

perspective define public policy as fixed decisions characterized by consistency and repetition (repitisi) of the behavior of those who make and from whom they obey decisions.

As for Carl Friedrich, 1969 in Leo Agustino (2006) who said that a policy is a series of actions / activities proposed by a person, group, or government in an environment especially where there are obstacles and possibilities where the policy is proposed to be useful in overcoming it to achieve the intended goal.

According to Bridgman and Davis, 2005 in Edi Suharto (2007) explained public policy in general contains an understanding of 'whatever government chooses to do or not to do'. That is, public policy is 'whatever the government chooses to do or not do'. According to Hogwood and Gunn, 1990 Edi Suharto (2007) stated that public policy is a set of government actions designed to achieve certain results. This does not mean that the meaning of 'policy' belongs only to or dominates the government alone. Non-governmental organizations, such as Non-Governmental Organizations (NGOs), Social Organizations (e.g.KarangTaruna, Family Welfare Education /PKK) and other voluntary institutions have policies as well.

Policy Implementation Theory

Implementation is one of the stages in the public policy process usually implementation is implemented after a policy is formulated with a clear purpose. Policy implementation from the point of view of cyclical theory then implementation will be needed as an important stage that takes place from the policy process, especially after formal legal discourse, usually in the form of laws, regulations, provisions, or other forms of products, is considered over. In the broadest sense, implementation is also often considered as a form of operationalization or implementation of activities that have been established by law and become a mutual agreement among various stakeholders (stakeholders), actors, organizations (public or private), procedures, and techniques synergistically mobilized to work together to implement certain policies desired.

According to Daniel A. Mazmanian and Paul A. Sabatier, 1979 in Solichin Abdul Wahab (2012) explains the meaning of this implementation by saying that, "Understanding what actually happens after a

The program declared applicable or formulated is a factor of attention to policy implementation, namely events and activities that arise after the enactment of public policy guidelines that include both efforts to administrate it and to cause real consequences / impacts on society or events"

In addition to such definitions, policy implementation can also be considered a process, output (output) and final result (outcome). Departing from the logic of this thinking, the implementation of policy can be conceptualized as a process, a series of decisions (a series of decisions) and actions (actions) aimed at implementing government decisions or state legislative decisions that have been made or formulated before.

Factor that Influences Implementation of Public Policy

Policy implementation is not just related to the translation of policy questions (policy statements). In implementation activities there are various factors that will affect the implementation of these activities or policies. In general, the factors affecting implementation have been widely stated by many policy experts including George C. Edwards III (1980), Marilee S. Grindle (1983), and Daniel A. Mazmanian and Paul A. Sabatier (1983), Van Meter and Van Horn (1975), and Cheema and Rondinelli (1983), and David L. Weimer and Aidan R. Vining (1991).

In the view of Edwards III, 1980 in Subarsono (2005) there are four variables that affect policy implementation, namely: First, communication. The success of policy implementation requires that the

implementor know what to do. What is the objective and objective of the policy must be transmitted to the target group so that it will reduce the distortion of implementation. Second, resources. Although the contents of the policy have been communicated clearly and consistently, if the implementor lacks the resources to implement, the implementation will not run effectively. These resources can be in the form of human resources, as well as non-human resources. Third, disposition. Disposition is the disposition and characteristics possessed by the implementor, such as commitment, honesty, democratic nature. Fourth, the bureaucratic structure. The bureaucratic structure in charge of implementing policies has a significant influence on policy implementation.

According to Mazmanian and Sabatier, 1983 in Subarsono (2005) there are three groups of variables that affect the implementation of a policy, namely: First, the characteristics of the problem (tractability of the problem). Second, the characteristics of policies / laws (ability of statute to structure implementation). Third, environmental variables (nonstatutory variables affecting implementation). The characteristic variable group of the problem includes: a) the level of technical difficulty of the problem in question; b) The plurality level of the target group; c) Proportion of the target group to the total population; d) Coverage of the desired behavior change. The group of policy/statutory characteristic variables includes: a) Clarity of policy content; b) How far the policy has theoretical support; c) The large allocation of financial resources to the policy; d) How much there is exposure and support between various implementing institutions; e) Clarity and consistency of existing rules on the governing body; f) The level of commitment of the apparatus to policy objectives; g) How widely accessed outside groups to participate in policy implementation. While policy environment variables include: a) Socio-economic conditions of society and the level of technological progress; b)

Public support for a policy; c) Attitudes of the voting group; d) The level of commitment and skill of the apparatus and implementor.

Fiscal Policy

Fiscal policy is an economic policy used by the government to manage or direct the economy to better or desirable conditions by changing the state's tax revenues and expenditures (Rahardja, 2001). Fiscal policy can be used to stabilize aggregate demand, production levels, and employment opportunities. When aggregate demand is insufficient to ensure full employment, then governments within fiscal scope must increase state spending and cut taxes. Conversely, when aggregate demand is excessive so that it risks increasing inflation, then the government should cut the state budget and increase tax revenues.

Government Budget

A good government budget process is not just the preparation of official documents that provide funds for a number of affairs. Good budgeting further affirms processes that have political, management, planning, communication, and financial dimensions.

According to the National Advisory Council on State and Local Budgeting (NACSLB) in the United States, a good budget process "incorporates a long-term perspective, is related to the breadth of an organization's objectives, focuses budget decisions on outcomes and outputs, engages and considers communication with stakeholders, and provides incentives to government and employee management" (NACSLB 1998).

The budgeting of a government, its processes, and structures in a country reflects historical traditions and diversity of its culture, capacity, national government, and institutions. Thus, there is no single model of local government budgeting. It can be said that the entire local government budget system must contain certain elements that prioritize three key targets of

public expenditure management: fiscal discipline / control of expenditures, priorities / strategies of resource allocation, and efficiency / effectiveness of operational expenditures (Schiavo-Campo and D. Tommasi 1999).

Theory of Economic Development and Growth

One important indicator in analyzing economic development that occurs in a country is economic growth. Basically, economic growth and economic development have different meanings. Economic development is generally defined as a process that causes an increase in the real income per capita of a country's population in the long term accompanied by an institutional system. Economic growth is defined as an increase in GDP or GNP regardless of whether the increase is greater or smaller than the population growth rate, or whether changes in economic structure occur or not. (Arsyad, 1999).

Adam Smith divided the stages of economic growth into five consecutive stages: the time of hunting, the time of breeding, the time of farming, trade and the last is the industrial stage. According to Adam Smith's theory that society will move from the traditional society of modern capitalist society. In the process, economic growth will be further encouraged by the system of division of labor between economic actors. In this case Adam Smith viewed work as one of the inputs (inputs) for the production process. The division of labor was a central point of discussion in Adam Smith's theory, with efforts to increase labor productivity.

The specialization carried out by each economic actor can not be separated from the driving factors, namely: Improved worker skills, and the discovery of machines that save energy. Specialization will occur if the stage of economic development has led to a capitalistic modern economic system. Increasing the complexities of economic activity and the necessities of life in society, requires society to no longer do all the work on its own, but rather emphasizes specialization to pursue certain fields.

METHODS

This research was conducted in Jakarta. The determination of the research location was carried out deliberately taking into account the existence of related agencies in Jakarta, namely the Ministry of Industry which provides the necessary data for research. The study was conducted between March and June 2021.The types of data used in this study are primary data and secondary data. This primary data was obtained through a direct, structured and in-depth interview with the Ministry of Industry of the SMES sector through observation or direct observation of the budgeting process by the Ministry of Finance. Industry. While the secondary data used in this study was obtained through literature studies, document research and public financial management guidelines, especially budget planning, which consists of a package of laws and regulations on public financial management, as well as time series data. which includes annual and quarterly data during the period 2014-2019.

Descriptive analysis is a research method related to the collection and presentation of data so as to produce useful information. Descriptive research methods have traits centered on the problem that is happening and are actual, as well as describing the facts as they are with rational interpretation. Descriptive analysis is used using the method of scoring and percentage. Descriptive analysis of this research is used to evaluate the role of the SMES sector in economic growth and labor absorption, the allocation and realization trends of the Ministry of Industry's spending in 2014-2019, as well as the development, stages and mechanisms of RKA-K / L to be used as documents by the Ministry of Industry.

Qualitative analysis methods are used to analyze the process of preparing work plans and budgets of the Ministry of Industry. As McDavid and Hawthorn explained (2006), qualitative analysis

methods can be used to determine the focus of evaluation, evaluate the process of implementing a program, and identify improvements and changes in a program. Qualitative data of this study was obtained by conducting in-depth face-to-face interviews with caregivers related to the subject of the problem being investigated, observing or observing directly the budget planning process conducted by the Ministry of Industry. The interview was conducted to get information on the implementation of the Integrated Budget, PBK and KPJM concepts currently being implemented in the Ministry of Industry, as well as problems and constraints in the implementation of the concept.

Analysis of the effect of expenditure realization on the Ministry of Energy of the SMES sector for infrastructure spending (Development and revitalization of SMES centers), HR development spending (Bimtek and Mentoring), market access spending (exhibition and awarding), technology improvement spending (facilitation of machine / equipment assistance and restructuring of the performance of the SMES sector is carried out using multiple linear regression methods.

RESULTS
Overview

President Joko Widodo officially established the Working Cabinet on October 26, 2014, and Saleh Husin was appointed Minister of Industry to replace Mohamad S Hidayat who had expired his term.The Ministry of Industry held a Ceremony to Welcome and Handover the Ministry of Industry from Mohamad S Hidayat to his successor Saleh Husin at Garuda Room, Ministry of Industry, Jakarta, October 28, 2014. The event was witnessed by echelon I and II officials in the Ministry of Industry and attended by business people and journalists from various national media. Saleh Husin will carry out his new duties as Minister of Industry in the Working Cabinet for the period 2014-2019.

Industry Minister Saleh Husin will continue to encourage the development of national industries considering that the sector is the backbone of the Indonesian economy, where the industrial sector still provides significant contributions to the economy by reaching more than 23% or being the largest sector contributing to the national economy. The policy of industrial development in the Work Cabinet is a translation of the vision and mission of the President of the Republic of Indonesia by realizing and describing the Trisakti program, which is politically sovereign, economically independent, and socio-cultural personality.

In the field of economics, the Trisakti program is aimed at realizing economic growth, social development and sustainable economic development while realizing an inclusive economy based on technological science and human resource excellence. Meanwhile, the description of the program in Nawa Cita related to the industrial sector is to increase people's productivity and competitiveness in the international market and realize economic independence by mobilizing strategic sectors of the domestic economy.

In addition to these programs, in accordance with the first session of the Working Cabinet, the Minister of Industry is assigned to immediately implement Quick Wins, namely: (1) Re-design of road map industrialization in line with Trisakti and NawaCita; (2) Down streaming of the products of service and industrial products; (3) Down streaming SMES products into agro-industrial products; (4) The construction of 10 industrial estates outside java, through government and private cooperation; (5) Expo and awarding of innovation of industrial products; (6) Systematic and creative campaigns to foster appreciation of industrial activities in support of increased use of domestic production (P3DN); (6) Strengthening of industrial structure through the interrelationship between upstream (basic) and downstream industries.

Performance SMEs Post Reformation and Budgeting

The achievement of the performance of the SMES sector since the implementation of reforms in the field of planning and budgeting can be seen through the achievement of macroeconomic indicators that include: GDP growth of the SMES sector, employment in the SMES sector, the level of SMES welfare as measured through the SMES exchange rate, the realization of SMES, as well as the level of domestic investment investment (PMDN) and the foreign capital security (PMA) in the SMES sector.

Gross Domestic Product (GDP) of the SMES Sector

GDP is one of the important indicators to know the economic condition of a country in a certain period. As stated in the Ministry of Industry's Renstradocument, the GDP growth of the SMES sector is one of the indicators of the success of the Ministry of Industry's performance. During the period of 2014-2019, Kemenperin targets the achievement of GDP growth of 5.02 percent. However, the realization of the achievement of GDP growth of the SMES sector is always below the performance targets that have been set and during the fiscal year 2014-2019, only in 2014 and 2015 the achievement of GDP growth of the SMES sector exceeds the target that has been set. Realization of GDP growth in the SMES sector in 2014 was recorded at 5.61 percent, while in 2015 it was 5.05 percent. This achievement is higher than the target set in the RenstraKemenperin document which targets GDP growth of the SMES sector of 5.01 percent in 2014 and 4.88 percent in 2015.
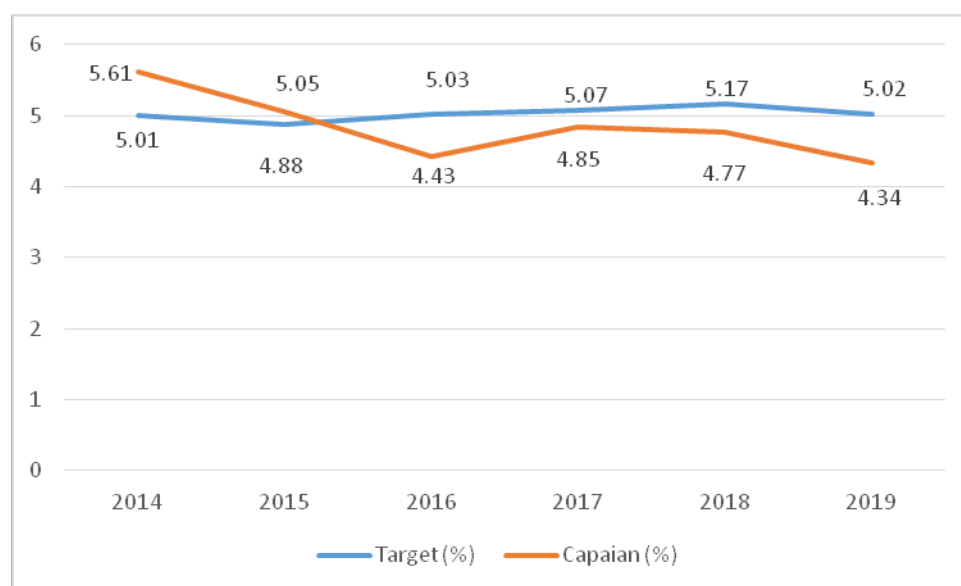
Figure 1 Targets and Achievements of GDP Growth of Indonesia's SMES Sector In the Period 2014-2019

The five industrial sectors that contributed the largest investment during the period 2015-2019 were: (1) Metal, Machinery &Electronic Industries; Medical Instrumentation Industry, Precision & Optics & Jam amounting to Rp266.13 trillion; (2) Food Industry amounting to Rp257.47 trillion; (3) Chemical & Pharmaceutical Industry amounting to Rp217.0 trillion; (4) Nonmetallic Mineral Industry amounting to Rp98.75 trillion; and (5) Motor Vehicle Industry & Other Transportation Equipment amounting to Rp96.70 trillion. One of the realizations of this investment can be seen in the smelter growth and development program until 2019, there are 46 companies that have invested USD50.4 billion (USD12.27 Billion is already in operation and USD 38.13 billion in the planning and

construction phase), the direct employment of more than 64,000people, can be seen in Figure 1.

Small and Medium Industrial Sector Workforce

The industrial sector is one of the main sectors in providing jobs and livelihoods for most of Indonesia's population. During the period 2014-2019, the industrial sector contributed 15 percent to 18 percent in accommodating the number of workers in Indonesia, with the average absorption of the number of workers in the SMES sector during 2014-2019 at 16.67 percent. The industrial sector until now became one of the important sectors in the absorption of the amount of labor, so it is considered as one of the sectors that can reduce the unemployment rate in Indonesia can be seen in table 2.

Table 1 Number of Industrial Sector Workers in Indonesia in 2014-2019

Year	Total Workforce(Million People)	Contribution of Labor Absorption (%)
2014	16,76	15,82%
2015	16,47	15,55%
2016	17,08	16,13%
2017	17,92	16,92%
2018	18,23	17,21%
2019	19,45	18,36%
Average	105,91	16,67%

Source: Ministry of Industry Annual Report 2020 (data processed)

The high number of workers in the SMES sector indicates that the SMES sector

is increasing. 60 percent of the poor people live in villages that generally depend on the life of the industrial sector. This is in line with the results of Nugroho research (2006) which revealed that the industrial sector can accommodate jobs. This is because the SMES sector has intensive labour characteristics. Likewise, the number of workers in the SMES sector as well as the contribution of the SMES sector in absorbing labor are experiencing an increasing trend. As explained in Figure 18, the contribution of the SMES sector in the absorption of labor in Indonesia tends to increase from year to year and gradually taken over the non-SMES sector

SMES Sector Trade Balance

The SMES sector also contributes quite a considerable amount in the formation of state foreign exchange. This can be seen from the value and volume of SMES commodity exports that tend to increase during the period 2016-2020, except in 2019 and 2020. When viewed from the realization of the trade balance during the period 2016-2020, the SMES sector showed a fairly good performance, where the trade balance of the SMES sector always experienced a surplus, despite the decline in 2019 and 2020.

Table 2 Trade Balance of Indonesia Industrial Sector 2016-2020 (thousand USD)

Description	2016	2017	2018	2019	2020
Non Oil and Gas	248,993.7	285,753.1	321,683.5	305,284.1	282,252.7
Export	145,186.2	168,828.2	180,012.7	167,683.0	163,191.8
Non Oil and Gas	132,080.7	153,083.8	162,840.9	155,893.7	154,940.8
Import	135,652.8	156,985.6	188,711.4	171,275.7	141,568.8
Non Oil and Gas	116,913.0	132,669.3	158,842.5	149,390.4	127,312.0
Trade Balance	9,533.4	11,842.6	-8,698.7	-3,592.7	21,623.0
Non Oil and Gas	15,167.7	20,414.5	3,998.4	6,503.3	27,628.8
Total Trade	280,839.0	325,813.7	368,724.0	338,958.7	304,760.6

Source: Data and Information Center of the Ministry of Industry (2021)

Model Forecasting Result

The budget realization data used in this study, has been divided by GDP deflator to obtain real budget realization data, not influenced by macroeconomic variables such as inflation, consumer price index (CPI), Bank Indonesia interest rate, rupiah exchange rate, as well as crude oil

prices and production levels. The independent variables used in this study are technology improvement spending, infrastructure spending, HR development spending and market access spending. While the dependent variable used in this study is the performance of the SMES sector which is indicated by the value of

productivity where real GDP is divided by the amount of labor.

Table 3 Presumption of parameters of the effect of budget realization on the work program of the Ministry of Industry of the SMES sector on the performance of the SMES sector

Variable	Coeffisien	t-statistic	Sig.
Constanta (C)	27019	39.386	.033*
HR Development Spending	-1511	23.431	.006*
Market Access Shopping	2721	21.449	.005*
Technology Shopping	-6947	23.675	.028*
Infrastructure Spending	5565	22.896	.012*
R-squared	99.4%	F-statistic	39.439
Adjusted R-squared	96.9%	Prob (F-statistic)	0.019*

*Description: *significant at α = 5%*

Testing on the effect of the realization of the Ministry of Industry's budget for technology improvement spending programs, infrastructure spending, HR development spending and market access spending on the performance of the SMES sector by being shown by productivity This is done using multiple regression analysis methods with the help of SPSS computer program version 26.0. Based on the results of multiple linear regression analysis, it was found that the model used produced an R2 value of 0.994 or 99.4 percent, which means that the model used can explain diversity with existing variables of 99.4 percent and the remaining 0.6 percent is explained by other variables outside the model. The results of the t test showed that each variable that has a value of t calculates > t table then there is an influence, t table in this study is 12.7, therefore, independent variables have effect on dependent variables. The results of the F test to determine the effect of independent variables on dependent variables simultaneously showed a value of 39.439, greater than the F table as well as a significance value of 0.019 which is smaller than the alpha value of 0.05. From the results of the test can be interpreted that together, independent variables have a real effect on dependent variables. The regression results in Table 3 also showed that the variables of HR development spending and technology spending significantly negatively affected the performance of the SMES sector at a real level of 5 percent. While market access

spending and infrastructure spending have a significant positive effect on the performance of the SMES sector.

Normality Test, the first assumption in multiple linear regression methods is that residuals should spread normally. The residual normality test aims to test whether the residual data used in regression models has been distributed normally or not. From the results of the normality test using the Kolmogorov-Smirnov method obtained a significant value (sig = 0.130), higher than alpha 5 percent, which means receiving H0 so that it can be concluded that residual spread is normal or normal distribution data. Multicollinearity Test. Multicollinearity tests are used to determine if there is a strong linear relationship between independent variables included in the formation of the model. One of the hallmarks of multicollinearity is that regression results in high R2 values, but many independent variables have no real effect on dependent variables. Based on the calculation results obtained vif (variance inflation factor), if VIF below or < 10 and tolerance value above or > 0.1, then there is no multicollinearity for all independent variables less than 10 and tolerance values above or > 0.1. This value indicates that inter-independent variables in the regression model are not multicollinearity. Partial correlation results also show that between independent variables do not have very strong correlations, so it can be stated that the multiple linear regression models formed do not have multicollinearity problems.

Heteroskedasticity Test, Heteroskedasticity tests are performed to satisfy the assumption that the value of all residuals has the same variant (μi) as the constant diversity (σ2) or homoscedasticity. Through regression of residual squares with free changer, the probability value for all changers greater than alpha is 5 percent, then H0 is accepted, which is concluded that all residuals are homoscedasticity. Autocorrelation test, Autocorrelation tests are performed because the observations in

this study are sequential all the time and are related to each other. The problem of autocorrelation arises in regression models if the residual is not free in the observation period to t correlated with residual in the previous observation period (t-1). If DW < dL or DW > 4-dL, then H0 is rejected, meaning there is autocorrelation, but if dU< DW< 4-dU then H0 is accepted, meaning there is no autocorrelation. Autocorrelation testing is done by calculating the Durbin-Watson (DW) value, where the DW value is 3,161, with a dL value of 0.29 and dU of 2.58. It can be seen from the magnitude 2.58< 3.16 <3.7, where this value is in the accepting region of H0, so it can be concluded that there is no autocorrelation.

Managerial Implications

The business flow of the central government budgeting process in general can be divided into four stages, namely: (a) the planning stage, which starts in January to April; (b) the preparation stage, which is carried out from May to July; (c) the discussion stage, which takes place in August to October; and (d) the determination stage, which is carried out in November to December, through the determination of the Presidential Decree on the Details of the Central Government Budget (ABPP) and the Document of the Results of the Review of the State General Treasurer's Expenditure Fund Plan (DHP RDP BUN) which is then continued with the preparation and endorsement of the budget implementation document (DIPA). Through the determination of budget implementation documents, each KPA can use the budget to finance the implementation of its work program to achieve the performance targets that have been set, in accordance with the DIPA documents.

Based on the results of gap analysis on the implementation of the concept of integrated budgeting, PBK and KPJM in the Ministry of Industry and the analysis of multiple linear regression related to the effectiveness of the realization of spending

in the Ministry of Industry for budgeting of HR development spending, market access spending, technology spending and infrastructure spending, it can be formulated some managerial implications for parties in the Ministry of Industry as follows: -> replace but the contents are the same.

The need for increased awareness and high commitment from all ranks in the Ministry of Industry in the implementation of performance-based budgeting system through the provision of rewards and punishment at the internal level of the Ministry of SMES. In this case, the role of the government's internal control unit in each work unit in the Ministry of Industry in reducing the potential and space for the occurrence of technical errors and irregularities, administration and corruption in government agencies and in providing feedback on the implementation of ongoing activities in the form of corrective actions also needs to be optimized. The need to increase the capacity of the planning apparatus through education, training, and intensive socialization related to the preparation of work plans and budgets in accordance with the concept of integrated budgeting, PBK and KPJM so that the resulting work plan and budget can meet the overall principles and components that make up integrated budgeting, PBK and KPJM as mandated in the guidelines and laws and regulations. Increasing the number of planning apparatus in work units that are still in need is also needed to balance the workload and improve the quality of work plan documents and the resulting budget. The need for the involvement of the internal supervisory apparatus in the implementation of review to the RKA-K / L document that has been compiled by each work unit in the scope of the Ministry of Industry of the SMES sector before the implementation of the review of RKA-K / L documents by the review apparatus in the DJA to minimize the occurrence of discrepancies in the contents of the RKA-K / L document that has been prepared and ensure the completeness of supporting documents to

minimize the existence of asterisk / block. Improving the integrity of the internal supervisory apparatus is also an important point to maintain that RKA-K / L documents produced by each work unit in the scope of the Ministry of Industry SMES sector in accordance with applicable norms and regulations. The capacity building of the internal supervisory apparatus related to the preparation of work plans and budgets in accordance with the concept of integrated budgeting, PBK and KPJM in this case also needs to be improved through training and socialization. The need to evaluate the mechanism of allocating budgets into the type of spending that is effectively able to encourage the improvement of the performance of the SMES sector. This is necessary considering the realization of the Ministry of Industry's budget for market access spending, HR development spending, technology spending and infrastructure spending on the performance of the SMES sector. The budget on SMES sector spending which is mostly allocated to the type of HR spending (by 35-50 percent) needs to be reviewed, so that the budget that is actually used for research activities can be increased. Good coordination with other echelon 1 units and regional device work units related to the dissemination of SMES results is also needed to streamline the implementation of SMES results to the level of agricultural business. The type of infrastructure spending that dominates budget allocation in SMES productivity improvement programs as well as infrastructure improvement programs and SMES facilities also need to be studied the effectiveness of its implementation in the field. The process of supervision and assessment needs to be carried out.

CONCLUSION

All the principles and components that make up the concept of integrated budgeting, performance-based budgeting and medium-term spending framework have basically been implemented by Kemenperin in the preparation of work plans and budgets. However, there are still many partial gaps in each component that resulted in the goal of implementing the concept of integrated budgeting, performance-based budgeting and medium-term spending frameworks still not achieved.

The results of the double linear regression analysis showed that the realization of the Ministry of Industry's spending on HR development spending and technology spending significantly negatively affected the productivity shown performance in the SMES sector. This is indicated by the use of budgets into the type of spending and activities that are not appropriate (miss allocation) in support of improved performance as measured by sectoral economic growth and the implementation of ineffective activities in the field.

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