

# The Effectiveness of State Budget Management on Inflation and Gross Domestic Product

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## ABSTRACT

*The effectiveness of State Revenue and Expenditure Budget (Anggaran Pendapatan dan Belanja Negara / APBN) management plays a crucial role in driving economic growth and improving societal welfare, as reflected in GDP growth. This study aims to analyze the effectiveness of APBN management across three presidential periods in Indonesia based on inflation and GDP indicators, while providing insights to enhance the understanding of fiscal management in supporting economic stability. This study uses a quantitative correlational design with descriptive analysis, utilizing secondary data on inflation and GDP from the Indonesian Central Statistics Agency to proportionally compare trends through numerical and graphical presentation. To assess the effectiveness of the APBN, the researcher utilizes a quantitative research method with data description using Data Envelopment Analysis and an efficiency scale ranging from 0 to 1. The results indicate that inflation remained relatively stable and GDP showed positive growth across the three periods, despite external shocks. Economic stability was maintained during Soeharto's era, remained resilient during the 2008 global crisis under Susilo Bambang Yudhoyono, and continued under Joko Widodo until experiencing a contraction in 2020 due to the Covid-19 pandemic. These findings provide insights for improving APBN management in maintaining economic stability.*

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## INTRODUCTION

A country is an institution formed by a group of individuals living in a certain area with the same goals, obeying laws and regulations, and having its own system of government (Gabriel, 2020). The system of government of a country determines the policy system that operates in that country. In the context of fiscal governance, the structure of government influences how state financial policies are formulated and implemented as instruments to achieve economic growth and stability (Syadza et al., 2021; Rosidin, 2021). Indonesia has a democratic system of government with a *trias politica* structure consisting of the executive, legislative, and judicial branches. The authority of state institutions in determining policy is one manifestation of democracy. This democratic structure allows fiscal decision-making, including budgeting policies, to be carried out through representative institutions to ensure accountability and effectiveness (Rahman et al., 2020; Lubis et al., 2025).

In addition, democracy is also demonstrated in the formulation of the State Revenue and Expenditure Budget (*Anggaran Pendapatan dan Belanja Negara / APBN*). The APBN is a financial plan approved by the House of Representatives (*Dewan Perwakilan Rakyat / DPR*) (Lestari et al., 2018). More specifically, the APBN contains the state revenue and expenditure plans for a one-year period from January 1 to December 31. As a fiscal policy instrument, the APBN plays a strategic role in directing government spending and revenue allocation to support economic growth, especially during periods

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of economic uncertainty (Cahyani et al., 2021; Wartoyo et al., 2024; Irwana et al., 2024). The APBN functions optimally if it is implemented through systematic recording and controlled expenditure. Effective implementation of the APBN reflects the government's capacity to translate fiscal planning into productive economic outcomes (Hafel & Ibrahim, 2024).

Technically, based on Article 23, paragraph 2 of the 1945 Constitution, the Draft State Revenue and Expenditure Budget (*Rancangan Anggaran Pendapatan dan Belanja Negara/RAPBN*) must be approved by the House of Representatives. If the RAPBN proposed by the President does not obtain approval, the government shall implement the previous year's APBN as stipulated in Article 23, paragraph 3 of the 1945 Constitution. This mechanism emphasizes fiscal continuity and stability, which are essential for maintaining economic performance despite political dynamics (Syadza et al., 2021). Given the importance of the APBN in state management, the effectiveness of budget determination and management becomes a strategic issue. Sound fiscal management strengthens the role of the APBN as a tool for economic control and development (Lubis et al., 2025).

The effectiveness of APBN management is one of the government's main instruments in encouraging economic growth, which ultimately aims to improve public welfare. Empirical studies show that government spending and fiscal policy reflected in the APBN significantly influence economic growth when managed effectively (Cahyani et al., 2021; Rafliaulia et al., 2024). In macroeconomic analysis, public welfare is commonly associated with the growth of Gross Domestic Product (GDP) (Silitonga, 2021). GDP growth represents the aggregate result of fiscal and monetary interactions within the economy. Per capita income is closely related to purchasing power and is strongly affected by inflation. Inflation can reduce real income and weaken the effectiveness of fiscal policy if not properly controlled (Basconcillo, 2023). Therefore, inflation and GDP are important indicators in evaluating and comparing the effectiveness of state budget management. Stable inflation alongside consistent GDP growth indicates effective fiscal management through the APBN (Lubis et al., 2025).

Based on this background, this study discusses the effectiveness of state budget management under three presidential administrations: President Soeharto (1990–1995), President Susilo Bambang Yudhoyono (2005–2010), and President Joko Widodo (2015–2020). A comparative approach across different periods of leadership enables an assessment of how fiscal policy orientation and budget management affect macroeconomic outcomes over time. The effectiveness of state budget management is measured by analyzing inflation and GDP data during these periods, as these indicators reflect the performance and stability of fiscal policy implementation. Thus, this study aims to determine the effectiveness of state budget management based on inflation and GDP levels in Indonesia during the terms of three presidents, while also enhancing literacy and understanding of state budget management in the current economic context.

## LITERATURE REVIEW & HYPOTHESIS DEVELOPMENT

### State Revenue and Expenditure Budget and Inflation

State Revenue and Expenditure Budget management refers to government activities from planning and legislative approval to implementation and supervision aimed at achieving public welfare (Terry & Rue, 2014; Kus, 2021; Nurhikmah, 2024). Its effectiveness is measured by the extent to which the APBN achieves its objectives, particularly public welfare as mandated in Article 23 paragraph (1) of the 1945 Constitution (Suoth et al., 2016; Indriani, 2023). Inflation can be defined as a continuous increase in the prices of goods and services over a certain period of time. If inflation increases, the prices of goods and services in the country will also increase. Responding to the above definition, Rahardja and Manurung (2008) argue that a situation can be said to be inflationary if it meets three components, namely price increases, is general in nature, and is continuous.

From a fiscal perspective, inflation is closely linked to government spending and budget management, where expansionary fiscal policy can exert upward pressure on prices if not accompanied by adequate production capacity. Studies by Sriyana (2022) show that fiscal variables, particularly government expenditure, have long-term implications for inflation dynamics, making inflation a crucial indicator in evaluating the effectiveness of fiscal policy and state budget management. Therefore, maintaining inflation stability becomes an essential prerequisite for ensuring that economic growth translates into real welfare gains for society (Aisyah et al., 2024; Sari et al., 2024).

Empirical evidence further supports this relationship, as government expenditure has been shown to have a positive and significant effect on the rate of inflation in Indonesia, whereby an increase in government spending contributes to upward pressure on the general price level (Firdaus et al., 2022). Similarly, the role of inflation and government expenditure has been examined within the broader framework of economic growth, confirming that fiscal expansion through government spending is intrinsically linked to inflationary dynamics in the Indonesian economy (Widiaty & Nugroho, 2020).

H1: The state revenue and expenditure budget has a relationship with inflation.

### **State Revenue and Expenditure Budget and Gross Domestic Product**

The effectiveness of state budget management depends on its structure, which changes annually due to various factors (Kuntadi et al., 2022; Risky, 2025). State revenue and expenditure are shaped by macroeconomic conditions, fiscal policies, development priorities, and risks such as global shocks, while tax revenue is influenced by policy measures like adjustments to non-taxable income and expansion of the tax base (Sari & Kuntadi, 2023; Magadhendra et al., 2025). Meanwhile, budget financing is determined by macroeconomic conditions, funding availability, and policy considerations (Doacă, 2022).

GDP at current prices can be used to see economic shifts and structures, while constant prices are used to determine economic growth from year to year (Arrafiqi & Arifin, 2024). GDP calculations and GDP per capita can also be used to analyze the level of social welfare of a society, and the GDP per capita figure can reflect a country's level of productivity. In the context of fiscal policy, GDP growth is a key indicator used to assess the effectiveness of government intervention through state budget management, particularly in stimulating aggregate demand and productive economic activities (Aisyah et al., 2024).

Economic growth is closely related to GDP per capita, which reflects total output relative to population (Sukirno, 2006; Hutajulu et al., 2025). Higher GDP indicates better capacity to improve welfare through access to health, education, and overall quality of life. Empirical evidence in Indonesia shows that government expenditure significantly influences GDP growth, depending on its productivity and allocation, reinforcing GDP as a key proxy for welfare (Sugiyanto & Sumiati, 2024). Nailufar et al. (2023) further affirm that government spending has a significant positive effect on Indonesia's GDP, with findings showing that every increase in government expenditure directly contributes to national output growth over the period 1998–2021. Similarly, Widodo (2020) confirms that central government spending components, particularly capital expenditure and goods expenditure, have a measurable and positive influence on provincial GDP, reinforcing the view that fiscal allocation through the state budget is a key driver of economic growth in Indonesia.

H2: The state revenue and expenditure budget has a relationship with gross domestic product.

Figure 1 illustrates a divergent trend, indicating that the observed variables move in different directions from a common point. This suggests the presence of varying outcomes or trade-offs within the analyzed period, where one aspect shows improvement while

another declines. Such a pattern reflects inconsistency in performance, highlighting that the effectiveness of management is not uniform and may be influenced by differing underlying factors.

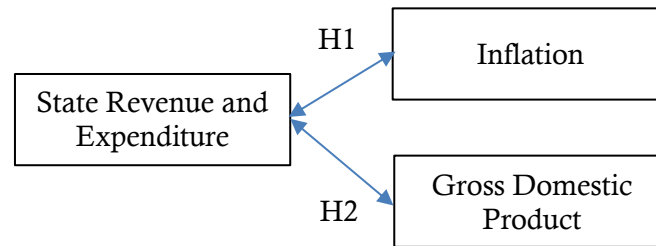


Figure 1. Research Framework

## RESEARCH METHODS

This study employs a quantitative correlational design with descriptive analysis to present data in numerical and graphical forms for proportional comparison. The population and sample consist of secondary data from the Central Statistics Agency (*Badan Pusat Statistik/BPS*), specifically inflation and GDP data during three presidential periods: Soeharto (1990–1995), Susilo Bambang Yudhoyono (2005–2010), and Joko Widodo (2015–2020). The research was conducted over approximately two months, from November to January, including stages of proposal preparation, data collection from credible sources, effectiveness testing of state budget management, and descriptive data analysis.

The operational variables in this study consist of the effectiveness of state budget management, inflation, and GDP. The effectiveness of state budget management is defined as the extent to which the APBN achieves public welfare objectives, as reflected in macroeconomic indicators such as inflation and GDP (Sugiyanto & Sumiati, 2024). Inflation is defined as a continuous increase in the general price level of goods and services and serves as an indicator of macroeconomic stability (Rahardja & Manurung, 2008; Sriyana, 2022). Meanwhile, GDP represents the total value added of goods and services produced in an economy and is used as a key indicator of economic growth and welfare (Aisyah et al., 2024; Batubara, 2025).

The research will focus on three periods of leadership, namely the era of President Soeharto (1990–1995), the era of President Susilo Bambang Yudhoyono (2000–2005), and the era of President Joko Widodo (2014–2019). Analyzing GDP and inflation across different presidential terms allows for a comparative assessment of fiscal policy effectiveness in achieving economic growth and maintaining price stability, which are central objectives of state budget management. The data collection method used by the researcher is documentary data collection, which is sourced from statistical data on the official website of the Central Statistics Agency and processed using an effectiveness test with the following formula:

$$Effectiveness = \frac{Actual\ Revenue}{Targeted\ Revenue} \times 100\%$$

Meanwhile, budget management efficiency is a ratio that shows the efficiency of an activity/project implementation by comparing output and input. The efficiency formula to be discussed is the ratio of expenditure realization (spending) to total regional income. The formula for calculating efficiency is:

$$Efficiency = \frac{Total\ Expenditure\ Realization}{Total\ Revenue\ Realization} \times 100\%$$

The collected data are presented in graphical form and analyzed descriptively based on observed trends. To measure effectiveness, this study employs the Data Envelopment Analysis (DEA) method using an input-oriented intermediation approach to estimate technical efficiency, pure technical efficiency, and scale efficiency with values ranging from 0 to 1 (Karimah et al., 2016). As a non-parametric method, DEA does not require prior specification of production functions, allows the use of multiple inputs and outputs, and is suitable for analysis with relatively small sample sizes (Faturahman et al., 2019). In addition, correlation analysis is employed to assess the strength and significance of relationships between variables, particularly between the total APBN and macroeconomic indicators such as inflation and GDP. The analysis results are presented in graphical form and described in relation to social phenomena associated with data analysis using secondary data sources related to inflation and GDP from BPS.

## RESULTS

This section presents the results of the analysis on the effectiveness of state budget management across the three presidential periods. The findings are based on secondary data on inflation and GDP, which are analyzed descriptively and evaluated using the Data Envelopment Analysis (DEA) method to assess efficiency levels. The results are presented through graphs and numerical interpretations to provide a clear comparison of macroeconomic performance and fiscal effectiveness in each period.

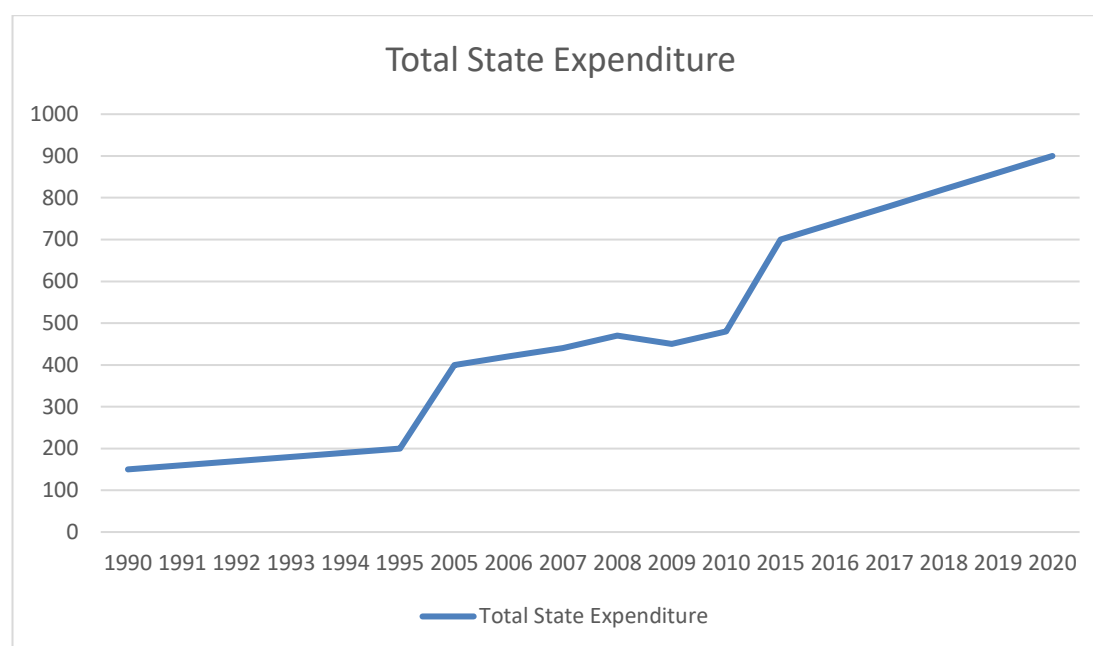


Figure 2. Annual State Budget

Based on Figure 2 on the annual total state spending, it can be seen that state spending experienced a fairly clear upward trend during the three presidential terms. In the 1990–1995 period (the Soeharto era), state spending increased gradually from around IDR 150 trillion to IDR 200 trillion, indicating a strengthening of the government’s role in financing development. In the 2005–2010 period (the Susilo Bambang Yudhoyono era), state spending increased again from around IDR 400 trillion in 2005 to IDR 480 trillion in 2010, although it experienced a decline in 2009 due to the impact of the global economic crisis. Furthermore, in the 2015–2020 period (the Joko Widodo era), state spending showed a more significant increase from around IDR 700 trillion in 2015 to IDR 900 trillion in 2020, reflecting the increasing role of the APBN in supporting national development and maintaining economic stability amidst national and global economic challenges.

**Table 1.** Annual Inflation Data

<b>Year</b>	<b>Inflation (%)</b>
1990	6.1%
1991	6.3%
1992	6%
1993	6.5%
1994	7%
1995	7.2%
2005	17.1%
2006	13.1%
2007	6.6%
2008	9.8%
2009	2.8%
2010	5%
2015	6.4%
2016	3.5%
2017	3.8%
2018	3.2%
2019	2.8%
2020	1.9%

Based on Table 1 on annual inflation, it can be seen that the inflation rate experienced quite significant fluctuations during the three presidential leadership periods. In the 1990–1995 period (the Soeharto era), inflation tended to be stable at around 6–7%, indicating relatively controlled economic conditions. However, in the 2005–2010 period (the Susilo Bambang Yudhoyono era), inflation experienced a sharp spike in 2005 to around 17%, then gradually decreased, although it rose again in 2008 before falling drastically in 2009. Furthermore, in the 2015–2020 period (the Joko Widodo era), inflation showed a more stable trend and decreased slowly from around 6% in 2015 to nearly 2% in 2020. This pattern indicates that inflation control in the last period was relatively better than in the previous period, although it was still influenced by national and global economic conditions.

**Table 2.** Annual GDP Data

<b>Year</b>	<b>GDP (Trillion IDR)</b>
1990	500
1991	540
1992	580
1993	620
1994	660
1995	700
2005	1,200
2006	1,300
2007	1,400
2008	1,500
2009	1,450
2010	1,600
2015	2,200
2016	2,350
2017	2,500
2018	2,650
2019	2,800
2020	2,900

Based on Table 2 regarding annual GDP data during the leadership of three presidents, there is a clear trend of different economic growth in each period of government. During the leadership of Soeharto (1990–1995), GDP increased steadily from IDR 500 trillion in 1990 to IDR 700 trillion in 1995, indicating consistent economic growth. During the leadership of Susilo Bambang Yudhoyono (SBY) from 2005 to 2010, GDP also increased

from IDR 1,200 trillion in 2005 to IDR 1,600 trillion in 2010, although there was a decline in 2009 to 1,450 trillion IDR due to the global economic crisis. Furthermore, during Joko Widodo's leadership (2015–2020), GDP showed a significant upward trend from IDR 2,200 trillion in 2015 to IDR 2,900 trillion in 2020, reflecting sustainable economic growth despite facing challenges.

Based on the correlation results in Table 3, it can be seen that there is a relationship between APBN management and macroeconomic indicators, namely inflation and GDP. The relationship between the total APBN and inflation shows a correlation coefficient of 0.45 with a p-value of 0.05, which indicates a moderate and significant positive correlation, so that increases in state spending tend to be followed by increases in inflation at a moderate level. Meanwhile, the relationship between the total APBN and GDP has a correlation coefficient of 0.88 with a p-value of 0.001, which indicates a strong and highly significant positive correlation. This indicates that the greater the state spending through the APBN, the greater the increase in GDP, so that state budget management plays a significant role in driving national economic growth. These correlation results indicate that the APBN has a stronger relationship to economic growth than to inflation.

Table 3. Correlation Results

Variable X	Variable Y	r	p-value	Interpretation
Total State Revenue and Expenditure Budget	Inflation	0.45	0.05	Moderate positive correlation, significant
Total State Revenue and Expenditure Budget	GDP	0.88	0.001	Strong positive correlation, very significant

The effectiveness of APBN management during the 1990–2020 period showed measurable differences across three presidential administrations when evaluated using inflation and GDP indicators based on data from the BPS. This assessment used a quantitative correlational approach to examine the relationship between state spending as a fiscal variable and macroeconomic outputs in the form of inflation and GDP. The correlation results showed that the APBN had a positive relationship with both indicators, with the relationship with inflation being moderate ( $r = 0.45$ ;  $p = 0.05$ ) and the relationship with GDP being strong and highly significant ( $r = 0.88$ ;  $p = 0.001$ ). The use of inflation and GDP as evaluation parameters aligns with the conceptual framework that fiscal effectiveness is reflected in macroeconomic stability and economic growth (Aisyah et al., 2024). Inflation stability maintains people's purchasing power, while GDP growth reflects increased aggregate output and welfare (Silitonga, 2021). Therefore, the measurement of effectiveness in this study directly links fiscal management with macroeconomic outcomes (Lubis et al., 2025).

The Soeharto administration (1990–1995) demonstrated relatively stable macroeconomic performance, characterized by controlled inflation at around 6–7 percent and consistent GDP growth from 500 trillion IDR to 700 trillion. This indicates that increased state spending during this period was accompanied by an expansion of economic output without excessive inflationary spikes. The relationship between the APBN and macroeconomic indicators during this period reflects the APBN's function as an instrument of economic stabilization and a driver of growth. The stability observed during this era indicates that fiscal policy contributed to a balance between price control and increased national production (Mulyawan, 2020). This finding aligns with the view that effective fiscal management supports economic growth when macroeconomic stability is maintained (Aisyah et al., 2024).

The presidency of Susilo Bambang Yudhoyono (2005–2010) reflected adaptive fiscal management amidst global economic turmoil, particularly the 2008–2009 financial crisis. Inflation during this period fluctuated sharply, particularly in 2005 and 2008, but GDP continued to show an upward trend from 1,200 trillion IDR to 1,600 trillion IDR, despite a decline in 2009. This pattern indicates that state spending continued to contribute to economic growth despite external pressures. The positive relationship between the state budget and GDP during this period indicates the role of fiscal policy in maintaining

aggregate demand and national economic stability. This supports empirical findings that fiscal policy functions as a stabilization instrument when inflation and output growth are managed simultaneously (Sriyana, 2022).

President Joko Widodo's term (2015–2020) demonstrated distinct macroeconomic dynamics, marked by a significant increase in state spending and a focus on infrastructure development and social protection. Inflation during this period was relatively low and stable compared to the previous period, while GDP increased from IDR 2,200 trillion to IDR 2,900 trillion despite experiencing pressure in 2020 due to the COVID-19 pandemic. The strong correlation between the state budget and GDP indicates that fiscal expansion contributed to economic growth, while controlled inflation indicates the effectiveness of the policy in maintaining price stability. This pattern strengthens the argument that the quality of government spending allocation influences the success of fiscal policy in promoting sustainable growth (Sugiyanto & Sumiati, 2024; Aisyah et al., 2024).

A comparative analysis of the three government periods reveals differences in fiscal policy orientation and their impact on macroeconomic indicators. The Soeharto era reflected stability-oriented fiscal management with controlled inflation and consistent GDP growth. The Susilo Bambang Yudhoyono era demonstrated fiscal resilience amidst global economic pressures, with fluctuating inflation while maintaining GDP growth. The Joko Widodo era emphasized expansionary fiscal policy to encourage development and maintain economic resilience during crises. The varying relationship between the APBN, inflation, and GDP indicates that the effectiveness of fiscal management is influenced by internal and external economic conditions. Inflation and GDP trends serve as key indicators in assessing fiscal performance and economic well-being (Silitonga, 2021; Lubis et al., 2025).

The findings indicate that the effectiveness of state budget management is reflected in its ability to maintain inflation stability while supporting sustainable GDP growth. The relationship between the state budget and GDP is stronger than with inflation, suggesting that government spending plays a greater role in driving economic growth than in triggering price pressures. Stable inflation and consistent GDP growth signal effective fiscal performance, while external shocks lead to fluctuations. Effective state budget management is achieved when fiscal policy can simultaneously control inflation and promote sustainable economic growth.

## **DISCUSSION**

State budget management during President Soeharto's term was relatively effective in maintaining macroeconomic stability, particularly through controlled inflation. This stability helped sustain purchasing power and supported a conducive environment for production and investment, as fiscal policy emphasizing price stability contributes to sustainable growth. In addition, the state budget functioned as a development instrument that drove GDP growth and strengthened productive sectors, reflecting the role of fiscal policy in stimulating economic activity (Cahyani et al., 2021). However, the economy remained vulnerable to external shocks due to its dependence on certain sectors.

During President Susilo Bambang Yudhoyono's administration, state budget management faced significant challenges due to the 2008 global financial crisis, which affected inflation and economic stability. In response, the government utilized expansionary fiscal policy through increased spending and stimulus programs to stabilize the economy and sustain aggregate demand (Syadza et al., 2021). These measures helped maintain purchasing power and demonstrate the countercyclical role of the state budget in supporting economic resilience amid global uncertainty (Lubis et al., 2025).

During President Joko Widodo's administration, state budget management focused on infrastructure development, human capital improvement, and social protection to support long-term growth and reduce inequality (Cahyani et al., 2021). Throughout most of the period, inflation remained stable, and GDP grew positively, indicating effective fiscal management in maintaining macroeconomic stability. However, the Covid-19 pandemic in 2020 caused a significant GDP contraction, prompting the use of expansionary fiscal

policy, which highlights the strategic role of the state budget in economic recovery during shocks (Syadza et al., 2021)

The differences in the effectiveness of APBN management across leadership periods indicate that fiscal policy is strongly influenced by the prevailing economic context, not only by policy design but also by external challenges (Lubis et al., 2025). Each administration adopted a distinct approach: during President Soeharto's era, effectiveness was reflected in stable inflation and consistent economic growth; under President Susilo Bambang Yudhoyono, the state budget functioned as a stabilization instrument during the global crisis; while under President Joko Widodo, it was utilized more actively for development and social protection, particularly in response to economic and health shocks. This comparison highlights that the role of the state budget evolves in line with national priorities and external pressures.

The correlation results further show that state budget management is positively associated with both inflation and GDP, with a stronger relationship observed for GDP. This indicates that government spending plays a more dominant role in driving economic growth than in triggering inflationary pressures. These findings are consistent with previous studies showing that government expenditure significantly contributes to GDP growth, as explained by Widodo (2020) and Nailufar et al. (2023), while also having a positive relationship with inflation dynamics, as found by Firdaus et al. (2022) and Widiaty and Nugroho (2020). This suggests that effective APBN management is characterized by its ability to stimulate economic growth while maintaining inflation at a manageable level.

These findings imply that effective APBN management requires a balanced fiscal strategy that prioritizes productive government spending while maintaining macroeconomic stability. Policymakers should focus on allocating budgets toward sectors that generate sustainable economic growth, such as infrastructure, human capital, and social protection, while carefully managing inflationary risks. In addition, the government needs to adopt adaptive and countercyclical fiscal policies to respond to external shocks, ensuring that economic growth remains stable and translates into improved societal welfare.

## **CONCLUSION**

Based on the research findings and discussion, it can be concluded that the effectiveness of APBN management in Indonesia varies across presidential periods, influenced by differing economic conditions and fiscal policy orientations. During President Soeharto's era, APBN management was relatively effective in maintaining inflation stability and supporting consistent GDP growth. Under President Susilo Bambang Yudhoyono, the APBN functioned as a stabilization tool to sustain economic resilience amid the global financial crisis. Meanwhile, during President Joko Widodo's administration, the APBN played a more strategic role in promoting development and social protection, particularly in responding to the economic slowdown caused by the COVID-19 pandemic.

The findings also indicate that state budget management has a positive relationship with both inflation and GDP, with a stronger association observed with GDP. This suggests that government spending plays a more significant role in driving economic growth than in triggering inflationary pressures. The effectiveness of APBN management is reflected in its ability to maintain macroeconomic stability while supporting sustainable economic growth. These results imply that policymakers need to ensure optimal and productive allocation of government spending while maintaining fiscal discipline to balance growth and price stability. However, this study is limited by its reliance on secondary data and a focus on macroeconomic indicators, which may not fully capture broader dimensions of welfare. Future research is recommended to incorporate additional variables, such as income distribution and poverty, as well as employ more comprehensive methods to better evaluate the effectiveness of fiscal policy in improving societal welfare.

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