The Effect of Government Expenditure, Consumption and Investment on the Economic Growth in City/District of Bengkulu Province

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ABSTRACT
The purpose of this study is analyze the effect of Direct Expenditure,Indirect Expenditure, household consumption, and investment on the economic growth of Bengkulu Province. In this study the data used are secondary data from the Central Statistics Agency of each city/district in Bengkulu Province in the range of 2011 to 2020. The approach used is the panel data models with panel data analysis techniques The use of multiple regression models here to analyze the relationship/ influence between the dependent variable (economic growth) and the independent variable (direct expenditure, indirect expenditure, household consumption expenditure and investment). The results showed that direct expenditure and investment variables had a positive and significant effect on regional economic growth. But indirect expenditure, household consumption expenditure variables has a negative andsignificnt effect on economic growth.

Keywords: *Economic Growth, Direct Expenditure, Indirect Expenditure, Household Consumption Expenditure, Investment, Panel Data.*

1. INTRODUCTION

The goal to be achieved from economic development carried out by a country or region is to improve the welfare of society. Achieving this goal can be done by increasing the economic growth of the country or region. Economic growth is defined as output growth formed by various economic sectors which can describe the progress or setbacks achieved by economic sectors within a certain period of time (Putra, 2011).

Economic growth can be used as a reference for planners of a country or region in assessing the success or failure of the regional economy. If an area has increased in various economic sectors, then an area can be said to be experiencing development in economic growth.

The condition of economic growth in districts/cities in Bengkulu Province can be seen in table 1. The highest economic growth rate is still held by the City of Bengkulu, which has an average of 4.45%. while the lowest economic growth rate was in Seluma Regency, namely 3.91%. In this five year period, it turns out that there were 2 regions that always experienced a decline in the rate of economic growth, namely Kaur Regency and Kepahiang Regency.

Table 1. Economic Growth Rate in Districts/Cities in the Province Bengkulu Based on 2010 Base Year Constant Prices (in units percent)

Regency/City	ADHK GDP Growth Rate Base Year 2010 (%)					Average
	2016	2017	2018	2019	2020	
South Bengkulu	5.25	4.94	4.95	4.97	0.26	4.07
Rejang Lebong	5.20	4.91	4.96	4.96	0.07	4.02

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Regency/City	ADHK GDP Growth Rate Base Year 2010 (%)					Average
	2016	2017	2018	2019	2020	
North Bengkulu	5.00	4.84	4.81	4.92	0.23	3.96
Kaur	5.28	5.00	4.98	4.98	0.12	4.07
Seluma	5.00	4.81	4.80	4.93	-0.01	3.91
Mukomuko	5.59	5.21	5.01	5.03	0.02	4.17
Lebong	5,16	5.00	5.01	4.97	0.10	4.05
Kepahiang	5,63	5,13	5.00	4.89	0.06	4,14
Central Bangalore	5.00	4.95	4.97	4.97	-0.06	3.97
Bangalore City	6,13	5,46	5,48	5,41	-0.25	4.45

Source: Bengkulu Province BPS, 2022. data processed

The ups and downs of economic growth are of course influenced by several factors. Looking at the demand side, there are several factors that influence economic growth, namely government spending, household consumption, investment and exports net.

The Central Statistics Agency (BPS) for Bengkulu province revealed that in 2020 household consumption will be the most influential factor for Bengkulu's economic growth. Household consumption contributed 65.52%, followed by PMTB by 41.04%, exports of goods and services by 33.35%, and government consumption by 19.45%. Meanwhile, the import component of goods and services is a factor that reduces economic growth 60.67%.

Household consumption is the factor that has the most influence on economic growth because the level of household consumption reflects people's purchasing power for goods and services. An increase in household consumption means that there has been an increase in demand for goods and services. An increase in goods and services will encourage the economy to increase production of goods and services. Furthermore, an increase in the production of goods and services will lead to an increase in economic growth and vice versa (Permana, 2021).

Apart from household consumption, there are also other factors that can influence economic growth, namely investment. Capital investment in the form of investment can play a role in driving the rate of economic growth. With investment, you can increase production capabilities, so that you will be able to increase the output produced later. Increasing output will have an influence in increasing economic growth. According to Pangestu (1996) investment and economic growth have a positive relationship, where if investment is high then economic growth will increase (Permana, 2021).

The next factor influencing economic growth is government consumption. The concept put forward by Keynes shows that the role of government is very large in creating economic growth. Government consumption is able to affect economic activity because the purpose of spending by the government is to create various infrastructures needed for the development process . The amount of government spending can be reflected in the APBD, where the APBD is the composition of the accumulation of government capital that is used to boost regional economic growth (Pangiuk, 2017). Government consumption can be divided into direct and indirect spending. Direct spending is defined as budgeted spending that is directly related to the implementation of programs and activities. While indirect spending is defined as budgeted spending that is not directly related to the implementation of programs and activities.

Data shows that the economic growth rate from 2016-2020 shows a downward trend . In 2016 the average district/city economic growth rate was 5.32%, then in 2017 it decreased to 5.03%, and continued to decline until 2020, namely 0.05%.

However , the trend of declining economic growth was apparently not experienced by the factors that influenced it. Direct spending , indirect spending, household consumption and investment have an increasing trend in 2016-2020. Household consumption as the main factor influencing economic growth in Bengkulu Province indeed had the highest value during that year compared to the other three factors. Meanwhile, the realization of direct spending has the lowest value compared to the others.

There are several researchers who have conducted research using direct spending and indirect spending variables in influencing economic growth. Among them, research conducted by Amaliyah (2021), Tampone, et al (2020) provides results that partially direct spending has no influence on economic growth and indirect spending has a positive and significant influence on economic growth. Then, research conducted by Dauhan, et al (2020) explains that there is a positive and significant influence between direct spending and indirect spending on economic growth. Meanwhile, according to research conducted by Rudibdo and Sasana (2017), the results showed that direct spending and labor had a positive and significant effect on economic growth, while indirect spending and investment had a negative and significant effect on economic growth.

Much research has also been conducted on household consumption and investment variables. Among them, research conducted by Permana (2021) gave the result that household consumption and investment had a significant effect on economic growth in the Province of Bali. Research conducted by Agustin (2021), Koyongian, et al (2019), and Pangiuk (2017) which used PMTB investment as the dependent variable gave the result that PMTB investment had a positive and significant effect on economic growth.

The purpose of this study was to analyze the effect of direct spending, indirect spending, household consumption, and investment on the economic growth rate of districts/cities in Bengkulu Province in 2011-2020.

2. METHODOLOGY

This research is a type of quantitative research which has one dependent variable and four indepeindent variables . The dependent variable in this research is economic growth while the independent variables are direct spending, indirect spending, household consumption and investment.

1. Economic Growth (PE) is the development of production of goods and services in a certain year against the preivious year's value which is calculated based on GRDP at constant prices in 2010 in districts/cities in Bengkulu Province in 2011-2020 which is measured in percentage units (%).

2. Direct Expenditures (BL) are expendtures that are directly related to the implementation of district/city regional government programs/activities in Bengkulu Province in 2011-2020 which are measured in units of trillions of rupiah.

3. Indirect Expenditures (BTL) are reigional expenditures that are budgeted and are not directly related to the implementation of district/city programs/activities in Bengkulu Province in 2011-2020 which are measured in trillion units rupiah.

4. Houseihold Consumption (CRT) is spending on goods and services made by households in districts/cities in Beingkulu Province with the aim of fulfilling their needs in 2011-2020 which is measured in trillion units rupiah.

5. Investment (I) is capital investment to conduct business originating from gross fixed capital formation (PMTB) in districts/cities in Bengkulu Province in 2011-2020 which is measured in trillions rupiah.

The type of data used in this research is secondary data in the form of combinations of time-series and cross-section data obtained from official publications of the Directorate General of Fiscal Balance, Ministry of Finance of the Republic of Indoneisia, and the Regency/City BPS website in Bengkulu Province, which were collected using documentaton methods.

The panel data regresson model used in this research is as follows:

$$\mathbf{PEi = a + b_1 BL_{it} + b_2 BTL_{it} + b_3 CRT_{it} + b_4 I_{it} + ei}$$

Where:

PE: Economic Growth

a: constant

b: regression coefficient

BL: Direct Expenditure

BTL: Indirect Expenditure

CRT: Households consumption

I: Investment (PMTB)

i: cross section (the number of district/cities in Bengkulu Province)

t: time series (research time period, namely 10 years (2011-2020)

e: error

Model testing was carried out using the Chow Test and Hausman Test

3. RESULTS AND DISCUSSION

3.1. Results

A data analysis on the effect of direct spending, indirect spending, household consumption, and investment on economic growth in Bengkulu province in 2011-2020 uses panel data regression analysis with the help of the reviews application.9. From the results of the Chow Test and Hausman Test, it was found that the most appropriate model to use was *the Fixed Effect Modeil* ,

Table 2. Summary of *Fixed Effect Model* Estimation Result

Variables	Coefficient	Std. Error	t-Statistics	Prob.
C	11.21373	0.822057	13.64105	0.0000
BL?	8.976071	2.130120	4.213880	0.0001
BTL?	-10.47522	1.783615	-5.873028	0.0000
CRTs?	-2.629702	0.582679	-4.513125	0.0000
I?	1.172280	0.453705	2.583791	0.0115
Fixed Effects (Cross)				
_BENGKULU SELATAN—C	-0.082561			
_REJANG LEBONG—C	2.931612			
_BENGKULU UTARA—C	1.384082			
_KAUR—C	-3.674906			
_SELUMA—C	-2.185751			
_MUKOMUKO—C	-1.816288			
_LEBONG—C	-3.750503			
_KEPAHYANG—C	-2.289728			
_BENGKULU TENGAH—C	-2.361278			
_KOTABENGKULU—C	11.84532			

Based on Table 2, the results of the regression equation are as follows:

$$PE = 11.21373 + 8.976071BL - 10.47522BTL - 2.629702CRT + 1.172280I$$

3.2. Discussion

3.2.1. The Effect of Direct Spending on Economic Growth in Regencies/Cities in the Province Bengkulu

The Direct Shopping variable has a value of 8.976071, with a probability value of 0.0001, indicating a strong and statistically significant impact on economic growth. This suggests that every increase in direct shopping by 1 trillion rupiah leads to an 8.97% rise in economic growth, assuming other variables remain constant.

These findings align with established economic theory, particularly Keynesian theory, which emphasizes the influence of government spending on economic growth. The noteworthy influence observed between direct spending and economic growth underscores the critical role of direct spending in fostering economic growth. It also underscores that direct spending acts as the engine driving economic development in districts and cities within the province of Bengkulu.

The positive and significant impact of direct spending on economic growth implies that government funds allocated for direct spending, including investments in infrastructure and spending on goods and services, play a pivotal role in stimulating economic growth. Direct spending typically supports programs and activities whose benefits directly improve the quality of public services for the community. When executed efficiently and with precision, targeted direct spending can substantially boost regional economic growth.

These research results are consistent with the findings of prior studies conducted by Rudibdo and Sasana (2017) and Dauhan et al. (2020), all of which confirm the positive and significant influence of direct shopping on economic growth.

3.2.2. The Effect of Indirect Spending on Economic Growth in Regencies/Cities in Bengkulu Province

The Indirect Expenditure variable has a value of -10.47522, with a probability value of 0.0000, indicating a significant impact on the economic growth of districts/cities in Bengkulu Province, but in a negative direction. This implies that an increase in spending indirectly reduces economic growth.

These results align with the hypothesis that indirect spending influences economic growth. This research findings are consistent with the study conducted by Amaliyah (2021), which also concluded that there is a negative and significant influence of indirect spending on economic growth.

According to data from BPS Bengkulu Province, the most substantial type of indirect expenditure is personnel expenditure. When personnel spending is excessive, it can hinder the increase in economic growth because personnel spending does not directly contribute to boosting economic growth. Large and continuously increasing personnel expenditure can impede the growth of local original income. Putri (2018) revealed that spending used for daily government activities with short-term benefits, such as official travel, fails to enhance the quality, quantity, and regional productivity, rendering it ineffective in promoting economic growth in the area.

3.2.3. The Effect of Household Consumption on Economic Growth in Regencies/Cities in Bengkulu Province

The coefficient value of the CRT Household Consumption variable is -2.629702, with a probability value of 0.0000, indicating a significant negative effect on economic growth. This implies that every increase in household consumption by 1 billion will decrease economic growth by 2.62%, assuming other variables remain constant.

These findings are consistent with Keynes' theory (Sukirno, 2013), which posits that income is the primary determinant of consumption and savings. Households use their income to meet various needs, including purchasing goods and services, paying for education, rent, transportation, and other complementary items. This implies that household income is primarily spent to fulfill the household's own needs. Goods purchased by the community can be sourced locally or imported from outside the region.

The decline in the role of consumption in stimulating economic growth in Bengkulu Province can be observed through the rate of household consumption to GRDP. According to BPS (2022), the growth rate of household consumption influencing GRDP has decreased, especially in the years 2016-2020. This decline in consumption growth, which is decreasing, indicates a reduced ability of household consumption to drive economic growth. Even though annual household spending has increased, it does not result in continuous and consistent economic growth.

The decline in household consumption rates is particularly prominent in non-food categories, such as clothing and footwear, transportation, communication, recreation and culture, as well as hotels and restaurants. Given that the non-food group constitutes a significant portion of household consumption expenditure, a decline in this group leads to a substantial impact on GRDP growth. This, in turn, affects local tax revenues, as reduced consumption in these categories implies decreased tax income. Consequently, economic growth experiences a downturn.

The results obtained in this study are in line with research conducted by Pratama (2021) and Syafri et al. (2019), which revealed a significant influence between household consumption and economic growth. However, these findings differ from the research conducted by Wahyudi (2020), which found no significant effect between household consumption and economic growth.

3.2.4. The Influence of Investment on Economic Growth in Districts/Cities in Bengkulu Province

The probability value is 0.0115, which is less than the alpha level of 0.05, and the coefficient value is 1.172280. These results indicate that during the period of 2011-2020, investment has a positive and significant impact on economic growth in regencies/cities in Bengkulu Province.

These findings align with previous research conducted by Pangiuk (2017) and Pratama (2021), which also concluded that investment has a positive and significant influence on economic growth. This positive and significant influence underscores the critical role of investment in fostering increased economic growth in districts and cities within Bengkulu Province.

CONCLUSION

The variables of direct spending, indirect spending, household consumption, and investment exert a significant influence on the growth of districts/cities in Bengkulu Province. Direct spending and investment variables have a positive effect on the economic growth of these areas, while indirect spending and household consumption have a negative impact.

Based on these conclusions, recommendations can be made to the Regency/City Government of Bengkulu Province. It is advisable to allocate government spending proportionally between routine, consumptive expenditures, and development expenditures that align more with the community's interests. This balance can potentially have a positive effect on economic growth in the region.

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