THE EFFECT OF EMPLOYEE EXPENDITURE, CAPITAL EXPENDITURE, GOODS AND SERVICES EXPENDITURE ON GROSS DOMESTIC PRODUCT IN INDONESIA

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cARTICLE INFORMATION ABSTRACT

Keywords: Employee Expenditure, Capital Expenditure, Goods and Services Expenditure, Economic Growth.

This study examined the effect of personnel expenditures, capital expenditures, and goods and services expenditures on economic growth in Indonesia. This study used secondary quantitative data from the Indonesia Central Bureau of Statistics using a time series data approach from 2006 to 2021. This study used a multiple linear regression analysis method. The results partially showed that personnel Expenditures, Goods, and Services Expenditures positively and significantly affected economic growth in Indonesia. Meanwhile, Capital Expenditures did not influence and insignificant on economic growth in Indonesia. The results simultaneously showed that employee expenditures, capital expenditures, and goods and services expenditures affected economic growth in Indonesia.

1. INTRODUCTION

Indonesia is one of the regions that certainly cannot be separated from development problems and challenges, one of the efforts to overcome them is to increase economic growth. Economic growth is a picture of economic development in a country, therefore the government always strives so that economic growth always increases from year to year which will improve people's welfare. (Fajri, 2017)

The role of the government as a development mobilizer is very strategic in supporting the improvement of community welfare and economic growth in Indonesia. Economic growth is one of the indicators to see the results of development that has been carried out by the government and is also useful for determining the direction in the future.

The condition of a country's economic growth can be seen from the Gross Domestic Product (GDP) figure where the value of production produced for one year is determined in market prices, meaning that Gross Domestic Product (GDP) is one of the macro indicators to determine economic growth (Aditya, 2020)

Based on data from the Central Statistics Agency (BPS) Indonesia, Gross Domestic Product (GDP) in Indonesia over the past 16 years shows data that continues to increase every year, except in 2020 the Gross Domestic Product (GDP) decreased due to the Covid-19 disease outbreak that hit the entire world, including Indonesia. The development of economic growth in Indonesia can be seen in Indonesia's GDP data in graph 1.1 below.

![GDP Graph 2006-2021](image-url)

Data source: BPS Indonesia 2022

Grafik 1.1 Indonesia's Economic Growth 2006-2021

Based on grafik 1.1 above, it can be seen that during the last 16 years economic growth in Indonesia has experienced a development trend that continues to rise every year. It is known that from 2006 it was recorded at 5.478 billion rupiah
continued to increase until 2019 amounted to 10.949 billion rupiah. However, in 2020 it decreased to 10.723 billion. This is due to the emergence of Covid-19 which made the world economy begin to collapse and shake, this certainly has a huge impact on the condition of Indonesia's economic stability on a national and international scale, but in 2021 Indonesia's economic growth improved again, increasing by 11, 118 billion rupiah.

The increase in Indonesia's Gross Domestic Product (GDP) during the 2006-2021 period indicates that the national income received by the Indonesian people during the period has increased. The increase in Indonesia's GDP is theoretically influenced by several factors including government spending, exports, road infrastructure, and population.

One of the government expenditures is employee spending, employee spending is compensation spending both in the form of money and goods determined based on laws and regulations given to state officials.

![Belanja Pegawai (Miliar)](image)

**Data source:** BPS Indonesia 2022  
**Grafik 1.2 Employee Expenditure 2006-2021**

Based on grafik 1.2 above, we can see that the amount of employee spending from the last 16 years has fluctuated every year. It is known that from 2006 it was recorded at 7,941 billion rupiah and continued to increase until 2008 amounting to 16,999. Furthermore, in 2009 until 2021 it continued to fluctuate every year.

In addition to employee spending, economic growth can also be affected by capital expenditure. Capital expenditure is a planned allocation of money to acquire fixed assets that have an economic useful life of more than one accounting period such as property, plant and equipment, land, buildings that will become assets of the enterprise. The following is the development of Capital Expenditure in Indonesia.

![Belanja Modal (Miliar)](image)

**Data source:** BPS Indonesia 2022  
**Grafik 1.3 Capital Expenditures 2006-2021**

Based on grafik 1.3 we can see that the amount of capital expenditure has fluctuated, this can be seen in 2006 capital expenditure amounted to 60,409 billion rupiah, and continued to increase until 2009 amounted to 78,441 billion rupiah but in 2010 there was a decrease of 70,163 billion rupiah, then in 2011 the budget fluctuated until 2019 amounted to 168,889 billion rupiah and in 2020 the budget decreased by 123,509 billion rupiah, this is due to this year's state budget being prioritized for subsidizing household consumption and in 2021 the capital expenditure budget increased by 140,769 billion rupiah.

Large capital expenditure is a reflection of the many infrastructures and facilities built have a positive influence on economic growth, the more development carried out, the more it will increase the growth of government financial performance. If the facilities and infrastructure are adequate, the community can carry out their daily activities safely and comfortably which will affect their productivity (Asnidar, 2022)

In addition to employee expenditure and capital expenditure, economic growth can also be influenced by spending on goods and services. Expenditure on goods and services is expenditure for the procurement of goods in the government environment whose usefulness value is less than one year.

![Belanja Barang dan Jasa](image)

**Data source:** BPS Indonesia 2022  
**Grafik 1.4 Goods and Services Shopping 2006-2021**
Based on grafik 1.4 The budget for goods and services expenditure has increased from 2006-2021. It is known that from 2006 as much as 31,301 billion rupiah continued to increase until 2019 amounted to 210,273 billion rupiah. In 2020, there was a decrease of 190,350 billion rupiah. Furthermore, in 2021, the budget for goods and services expenditures again increased to IDR 229,151 billion. Based on the description of the background and phenomenon above, the author is interested in studying further about the effect of employee spending, capital expenditure, goods and services spending on gross domestic product in Indonesia.

2. OVERVIEW OF PUSTAKA

Economic Growth

According to Todaro and Smith, (2006) Economic growth is a process of increasing production in the economy that occurs continuously so that national income and output are getting bigger. Economic growth shows activities that will generate people's income, a country's economy can be said to grow if people's income is greater than the previous community's income (Pangestu, 2019).

Economic growth is the development of activities in the economy that cause goods and services produced in society to increase. Conventionally, a country's economic growth is measured as Gross Domestic Product (GDP). This increased ability is due to the increase in production factors both in quantity and quality (Hakim, 2018).

An important indicator to determine the economic condition in a country in a certain period is seen from gross domestic product data, seen from GDP on the basis of constant prices and GDP on the basis of prevailing prices. GDP is the result of added value obtained from all business units in a particular country, or is the sum of all final value of goods and services obtained from all economic units in a country (Aditya, 2020).

Employee Shopping

Employee expenditure is central government expenditure used to finance compensation in the form of money or goods given to central government employees (Aditya, 2020).

The government can provide additional income to Civil Servants (PNS) based on considerations by taking into account the State's financial capabilities in accordance with the provisions of laws and regulations, depending on workload, work location, working conditions, scarcity of certain professions and work performance (Aditya, 2020).

Capital Expenditure

Capital expenditure based on Permendagri 13 Year 2006 is expenditure used in the context of purchasing/procuring or building tangible fixed assets that have a useful value of more than 12 months to be used in government activities, such as in the form of purchasing land, equipment and machinery, buildings and buildings, roads, irrigation and networks, and other fixed assets.

Capital expenditure is an expenditure carried out in the context of capital formation that adds fixed assets or other assets that provide benefits for more than one accounting period, including expenses for maintenance costs that maintain or increase useful life, increase capacity and asset quality (Iswhahyudin, 2019).

Shopping for Goods and Services

Expenditure on goods and services is expenditure for the procurement of goods within the government whose usefulness value is less than one year in the accounting period and / or the use of services in carrying out the activities of government activities of a region (Pangestu, 2019).

Goods and services expenditure is expenditure used in implementing local government programs and activities in the form of consumable shopping, materials / materials, office services, insurance premiums, motor vehicle maintenance, printing / duplication, renting houses / buildings / warehouses / parking, renting mobility facilities, renting heavy equipment, renting office equipment and equipment, food and beverages, official clothing and its attributes, work clothes, special clothing and certain days, official travel moving duties and repatriating employees, maintenance, consulting services, etc. procurement of goods/services, and other similar expenditures (Muskitta, 2022).

Relationships Between Variables

The Relationship of Employee Spending to Economic Growth

Theoretically there is a relationship between employee spending and economic growth. The increase in employee spending, especially salaries and benefits, has an impact on public consumption. When public consumption increases, the Gross Domestic Product (GDP) also increases so that thus it can be said that employee spending has a positive effect on economic growth.
The Relationship of Capital Expenditure with Economic Growth
Romeo Avila and Strauch (2008) found that the expenditure side of the budget affects long-run economic growth. Spending in the form of public investment accelerates economic growth. In the regional context, local government capital expenditure is not only expected to improve public services.

Kuncoro (2002) research found that the allocation of government capital expenditure in the construction of public facilities and infrastructure has a positive and significant impact on economic growth

The Relationship of Goods and Services Spending with Economic Growth
When spending on goods and services is fulfilled properly, government employees will be able to maximize public services, therefore economic growth can increase in a region. Based on the explanation above, it can be understood that the existence of government spending in the form of employee expenditure, capital expenditure, goods and services expenditure can have a positive impact on economic growth (Fitri, 2019)

The functional relationship between economic growth and these three variables is not only supported by a number of theories, but also proven by a number of previous studies.

Conceptual Framework

![Conceptual Framework](image)

**Hypothesis**
H1: It is suspected that employee spending has a positive effect on economic growth in Indonesia.
H2: It is suspected that capital expenditure has a positive effect on economic growth in Indonesia.
H3: It is suspected that spending on goods and services has a positive effect on economic growth in Indonesia.

Indonesia
H4: allegedly employee expenditure, capital expenditure, goods and services expenditure have a positive effect on economic growth in Indonesia.

3. RESEARCH METHODS
Object and Location of Research
The objects used in this study are Employee Expenditure, Capital Expenditure, Goods and Services Expenditure as an independent variable (X) and Economic Growth as a dependent variable (Y). The location in this study is in Indonesia.

Data Types and Sources
The types and sources of data used in this study are secondary data. Data used from the Indonesian Central Bureau of Statistics (BPS) from 2006-2021

Data Analysis Methods
The analysis method in this study uses a multiple linear regression analysis model to determine the effect of variable employee spending, capital expenditure, goods and services spending on economic growth. Multiple regression analysis is an analysis that aims to measure the strength of the relationship of one or more independent variables to the dependent variable (Sugiyono, 2012). The equation of multiple linear regression is as follows:

\[
PE = \beta_0 + \beta_1 BP + \beta_2 BM + \beta_3 BBJ + \varepsilon
\]

Explanation:
PE = Economic Growth
\(\beta_0\) = Konstanta
\(\beta_1\beta_2\) = Coefficient of each variable
BP = Employee Expenditure
BM = Capital Expenditure
BBJ = Shopping for Goods and Services
\(\varepsilon\) = Error Term

Normality Test
The normality test aims to determine whether in the regression model the disruptive or residual variables have a normal distribution or not. Then it can be known by comparing the probability value of JB (Jarque-Bera) calculate with an alpha level of 0.05 (5%). If the probability of JB count is smaller than 0.05 then it can be concluded that the residual is normally distributed but conversely if the probability of JB count is smaller than 0.05 then it can be concluded that the residual is abnormally distributed.

Classical Assumption Test
The classical assumption test is a classical statistical requirement that must be met in multiple linear
regression analysis based on ordinary leas square (OLS)

**Autocorrelation Test**

The autocorrelation test aims to determine whether the value in a particular sample has a correlation between the confounding error in period t with the confounding error in period t with the confounding error in the previous period (t-1).

**Multicollinearity Test**

The Multicollinearity Test aims to test a model whether a correlation or relationship is found between independent variables with other independent variables.

**Heterokedastitas Test**

The heteroscedasticity test aims to determine whether in the model there is a residual variance inequality from one observation to another.

**Hypothesis Testing**

**Partial Test (t)**

To see whether the independent variable in this study affects the related variables individually, it is necessary to do a t test, namely by comparing the value of t, calculate > t table with a significant level of 5%.

**Simultaneous Test (f)**

Simultaneous testing (Test f) aims to determine whether the independent variable simultaneously affects the dependent variable simultaneously affects the dependent variable, namely by looking at the value of f-statistics. If the value of \( F_{calc} \) calculated > \( F_{table} \) then simultaneously the independent variable affects the dependent variable.

**Coefficient of Determination (R2)**

The coefficient of determination (R2) test is carried out to measure how far the ability of the independent variable to explain the variation of related variables

4. RESULTS OF RESEARCH AND DISCUSSION

**Normality Test Results**

The normality test aims to determine whether in the regression model the disruptive or residual variables have a normal distribution or not.

**Figure 4.1 Normality Test Results**

Targeted at figure 4.1 Jarque-Bera value of = 0.430185 compared to Chi-Square Table with df (3) at a : 5 % = 7.814728 which means the JB value is smaller than the Chi-square value of (0.43<7.81). This can also be seen from the jarque-Bera probability value > a significant level of 5%, namely (0.8>0.05). So it can be concluded that in this study the data is distributed normally.

**Breusch-Godfrey Serial Correlation LM Test:**

<table>
<thead>
<tr>
<th>F-statistic</th>
<th>Prob. F(2,10)</th>
<th>Obs*R-squared</th>
<th>Prob. Chi-Square(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.484730</td>
<td>0.1348</td>
<td>5.282935</td>
<td>0.0713</td>
</tr>
</tbody>
</table>

**Figure 4.2 Autocorrelation Test Results**

Based on figure 4.2 then it can be concluded that the Obs*R-Squared value is 5.282935 while the Chi-square value of the table is 7.814728 which means that the Obs*R-square value is smaller than the Chi-square value (5.28<7.81) then it can be concluded that this model is free from autocorrelation symptoms. This can also be seen from the probability of Chi-square of 0.07>0.05.

**Variance Inflation Factors**

Date: 06/14/23   Time: 22:56
Sample: 2006 2021
Included observations: 16

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient Variance</th>
<th>Uncentered VIF</th>
<th>Centered VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>BP</td>
<td>0.000104</td>
<td>19.10546</td>
<td>2.181123</td>
</tr>
<tr>
<td>BM_MILIAR_RUPIAH</td>
<td>1.06E-05</td>
<td>48.76048</td>
<td>4.805778</td>
</tr>
<tr>
<td>BBJ MILIAR_RUPIAH</td>
<td>2.93E-06</td>
<td>15.45378</td>
<td>3.565817</td>
</tr>
<tr>
<td>G</td>
<td>4.36E+10</td>
<td>12.74089</td>
<td>NA</td>
</tr>
</tbody>
</table>

**Figure 4.3 Multicollinearity Test Results**

Based on the results of the multicollinearity test, it can be concluded that in this study free from symptoms of multicollinearity, this is evidenced by the VIF value of each independent variable which shows (<10.00) which means that there are no symptoms of multicollinearity
Figure 4.4 Heterokedastisast Test Results

Based on the results of heteroscedasticity testing, it can be concluded that in this study it has been free from heteroscedasticity problems, this can be seen from the comparison of Obs * R-squared values < chi-square tables, namely (3.87 < 7.81). This can also be seen from the Chi-square Probability > a significant level of 5%, namely (0.72 > 0.05).

Table 4.1 Partial Test Results

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>BP</td>
<td>0.02766</td>
<td>0.010205</td>
<td>2.671852</td>
<td>0.0203</td>
</tr>
<tr>
<td>BM</td>
<td>-0.001655</td>
<td>0.0003257</td>
<td>-0.508237</td>
<td>0.6205</td>
</tr>
<tr>
<td>BBJ</td>
<td>0.027117</td>
<td>0.001713</td>
<td>15.83059</td>
<td>0.0000</td>
</tr>
<tr>
<td>C</td>
<td>474030.0</td>
<td>208896.4</td>
<td>22.9348</td>
<td>0.0000</td>
</tr>
</tbody>
</table>

Figure 4.5 Multiple Linear Regression Estimation Results

The variable coefficient of Employee Expenditure (BP) has a value of 0.0272. This means that if Employee Expenditure increases by 1 billion rupiah, economic growth will increase by 0.027 billion rupiah assuming the variable Employee Expenditure is constant.

Capital Expenditure (BM) has a value of -0.00165. This means that if Capital Expenditure decreases by 1 billion rupiah, economic growth will decrease by 0.0016 billion rupiah assuming the variable Capital Expenditure is constant.

Goods and Services Expenditure (BBJ) has a value of 0.027117. This means that if Employee Expenditure increases by 1 billion rupiah, economic growth will increase by 0.0271 billion rupiah assuming the variable Goods and Services Expenditure is of constant value.

Table 4.2 Simultaneous Test Results

Based on table 4.2 it can be explained that the F-calculate value is 331.0856 while the F-table value is 5.74 with a significant level of 5% or 0.05 so that it can be concluded that the F-calculate value > F-table is (331.0856 > 5.74). So reject H0 and accept Ha which means simultaneously the variables of employee expenditure, capital expenditure, goods and services expenditure have a positive and significant effect on economic growth in Indonesia. This can also be seen from the significant probability of (0.00 < 0.05).

Table 4.3 Results of the Coefficient of Determination (R2)

Based on table 4.3 it can be explained that the result of the Adjusted R-Square value in this study is 0.988063, this shows that the relationship between the independent variable and the dependent variable in this study is very strong, namely 98.8%, while the other 1.2% is influenced by other variables outside this study.
PEMBAHASAN

The Effect of Employee Spending on Economic Growth

Based on the results of the data described above, it shows that employee spending has a positive and significant effect on economic growth in Indonesia. This is proven by statistical testing with calculated t values > t_{table} (2.671852 > 1.77093). This situation means that if employee spending increases, economic growth will also increase. The results of this study are in line with the research of Fitri, (2019) and Pangestu (2019)

The Effect of Capital Expenditure on Economic Growth

Based on the results of the data described above, it shows that Capital Expenditure has no effect and is not significant on economic growth in Indonesia. This is proven by statistical testing with the value of t_{count} < t_{table} (-0.508237 < 1.77093). This situation means that capital expenditure has no effect on economic growth in Indonesia. The results of this study are in line with the research of Fajri, (2017) and Muskitta, (2022)

The Effect of Goods and Services Spending on Economic Growth

Based on the results of the data described above, it shows that spending on goods and services has a positive and significant effect on economic growth in Indonesia. This is proven by statistical testing with calculated values > \text{t}_{table} (2.671852 > 1.77093). This situation means that if spending on goods and services increases, economic growth will also increase. When spending on goods and services can be fulfilled properly, government employees can maximize public services, then economic growth will also increase in a country. The results of this study contradict previous research Pangestu, (2019) and ( Gosal, 2022)

The Effect of Employee Expenditure, Capital Expenditure, Goods and Services Expenditure on Economic Growth

Based on the results of the data processing described above, it shows that together employee spending, capital shopping, goods and services spending have a positive and significant effect on economic growth in Indonesia. This is proven by statistical testing with \text{F}_{\text{value calculated}} > \text{F}_{\text{table}}, namely (331.0856 > 5.74). Which means if employee expenditure, capital expenditure, goods and services expenditure increases then economic growth also increases.

5 CONCLUSION AND ADVICE

Conclusion

Based on the results of the analysis and discussion, the author can draw the following conclusions:
1. The results show that employee spending variables have a positive and significant influence on economic growth in Indonesia.
2. The results show that the variable capital expenditure has no effect and is not significant on economic growth in Indonesia.
3. The results show that the variable of spending on goods and services has a positive and significant influence on economic growth in Indonesia.
4. The results of simultaneous research that the variables of employee expenditure, capital expenditure, goods and services expenditure have a positive and significant influence on economic growth in Indonesia.
5. The test result of the coefficient of determination (Adjusted R Squared) in this study is 0.988063. So it can be concluded that the variation of the dependent variable, namely economic growth, can be explained by the variables of employee expenditure, capital expenditure, goods and services expenditure by 98.8% (very strong) while the other 1.9% is influenced by other variables outside this study

Suggestion

Based on the conclusions and observations that have been made in this study, the following suggestions can be given:
1. With regard to the results of the research, the Indonesian government should pay more attention to increasing employee spending and goods and services spending, both in terms of quality and quantity. It is expected with more serious attention, because when the expenditure can be increased, economic growth will also increase. The expected economic growth is economic growth that is not only high, but also evenly distributed.
2. The government should re-allocate capital expenditure, so far the allocation of capital expenditure has not been able to significantly increase economic growth in Indonesia. In fact, capital expenditure should have a long-term impact to support sustainable economic growth.
3. For other studies that want to research economic growth in Indonesia, it is better to add other variables and use different analytical tools to research, because there are quite a lot of variables that affect economic growth in
Indonesia and adding a time span or observation period agar this research can be more perfect.

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