

# IMPACT GENERAL ALLOCATION OF FUNDS AND ECONOMIC GROWTH ON GOVERNMENT EXPENDITURE IN EAST KOTAWARINGIN

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## ABSTRACT

*This study aims to examine the impact of economic growth and the general allocation of funds on economic growth in East Kotawaringin. The descriptive-quantitative research method was used in this study. Multiple linear regression with the t-test, F-test, and coefficient of determination test was used in this study as an analytical tool. According to the findings of this study, the variables of the general allocation fund significantly impact government expenditures in East Kotawaringin. At the same time, economic growth has no significant impact on government expenditure in East Kotawaringin. Concurrently, the general allocation fund variables and economic development affect the government expenditure variable*

**Keywords:** *general allocation fund; economic growth; government expenditure*

## INTRODUCTION

Economic growth is the difference between the gross domestic product of one year and the gross domestic product of the previous year that occurs in a country. Economic growth is “the process of increasing an economy's output in the form of increased national income”. If a country's real GDP rises, it is said to be experiencing economic growth. In order to increase real GDP, a country must first achieve economic growth, which is then followed by income distribution, poverty alleviation, and unemployment, so that economic growth can be described as quality economic growth. Furthermore, with quality economic growth, an increasing number of people will become involved and enjoy the benefits of economic growth. The ideal economy is one that grows continuously, with no years or even quarters of decline. As a result, the economy will lead to stable price levels and the creation of a large number of job opportunities. However, the economic situation has generally experienced ups and downs. Economic growth is one important indicator for understanding and evaluating the outcomes of development, particularly in the economic field. The main measure of development success, and the results of economic growth will also be enjoyed by the people down to the lowest level, either on their own or with the intervention of the government.

According to Simon Kuznets, economic growth is a country's ability to provide an increasing variety of economic goods, as well as the necessary institutional and ideological changes. The rapid flow of capital is a good opportunity for developing countries, including Indonesia, to obtain financing for economic development, where the economic development carried out by the “Indonesian government is a long-term endeavor that is expected to create a just and prosperous society in accordance with Pancasila and the 1945 Constitution”, in order to be able to compete. National development is centered on economic growth in order to achieve this goal.

The goal of every region within a nation is economic development, not just the goal of the central or national government. This is due to the fact that regional economic growth has an impact on the overall economy of a nation. Because of this, both local governments and the federal government are concerned about regional economic growth. “Regional economic development is a process in which local governments and their communities manage existing resources and form a pattern of partnership between local governments and the private sector in order to create jobs and stimulate regional economic development.”

The development or realization of the general allocation fund for East Kotawaringin Regency is uncertain due to expenditure and other income

factors. The realization of the general allocation fund for East Kotawaringin Regency fluctuates on a regular basis, affecting economic growth, labor, and the realization of government expenditure. Based on the background described above, the author chooses the title impact of general allocation funds and economic growth on government expenditures in East Kotawaringin Regency.

Sukirno (2013) defines the real national income development as measured by a country's or region's level of economic growth. Regional economic development is also important in determining the success or failure of national economic development in each province and district in Indonesia, including Central Kalimantan Province and districts in Central Kalimantan Province in western Indonesia. East Kotawaringin Regency, as one of the regencies with a good economy, cannot be separated from various obstacles and challenges in economic development. Poverty, unemployment, a lack of capital, and poor human resource quality are all issues. As a result, economic development policies are implemented in order to achieve high economic growth by managing each region's existing potential and resources, particularly in East Kotawaringin Regency, in order to increase the Gross Regional Domestic Product (GRDP) of East Kotawaringin Regency.

While pursuing accelerated economic growth, dealing with income inequality, and poverty alleviation, economic growth is a multidimensional process that includes various fundamental changes or social structures, societal attitudes, and national institutions (Todaro, 2003). Economic growth is "also defined simply as an increase in total output (GDP) over time, regardless of whether the increase is smaller or greater than the rate of population growth and whether it is followed by growth in economic structure or not".

Government expenditures (in Permendagri 13/2006) are expenditures made in the context of purchasing/procuring or constructing tangible fixed assets with a useful life of more than 12 months to be used in government activities. Fixed assets include land, machine tools, buildings and structures, roads, irrigation and networks, and other fixed assets (Ali et al., 2017). Government expenditure, according to Sari (2016)), reflects government policy. If the government has established a policy to purchase goods and services, government expenditure reflects the costs that the government must incur in order to

implement the policy. Government expenditure theories are divided into two categories: macro theory and micro theory. This study advanced the theory from the macro perspective.

## METHODS

Sugiyono (2016), to examine specific populations or samples, research methods based on "the philosophy of positivism are used; data is collected using research instruments; and data analysis is quantitative/statistical in nature, with the goal of testing established hypotheses. Sugiyono (2015), descriptive research is research conducted to determine the value of the independent variable, either one or more variables (independent), without making comparisons or connecting with other variables. According to this theory, quantitative descriptive research is data collected from a sample of the research population and analyzed using the statistical method of choice" (Widyawati et al., 2022).

To assess the impact of the General Allocation Fund (DAU) and economic growth on government expenditure in East Kotawaringin Regency, use multiple linear regression analysis or the Ordinary Least Square method to analyze data. In this study using the software Eviews 9. The reason for using the OLS method is that it has unique properties and characteristics. Calculations are simple and optimal. The study of explaining and evaluating the relationship between an independent variable and the dependent variable with the goal of estimating or predicting the value of the dependent variable based on the known value of the independent variable is known as regression analysis. The uses and equations of this research model are as follows:

$$GE = \alpha + \beta_1 DAU + \beta_2 EG + \varepsilon_t$$

Which GE (Government Expenditure) is liabilities recognized as a reduction in net worth (million rupiah); DAU (General Allocation Fund) is funds derived from APBN revenues allocated with the goal of distributing inter-regional financial capacity in an equitable manner to fund regional needs in the context of implementing Decentralization (million rupiah); EG (Economic Growth) is an increase in the ability of an economy to produce goods and services (%),  $\beta$  is coefficient regression DAU and EG; and  $e$ : error term. This research use DAU variables and economic growth are independent variable. While Government

Expenditure is dependent variable. Data from 2005 – 2022 with source data is BPS (Central Bureau of Statistics).

Next step is statistical determination ( $R^2$ ), t test, F test. The coefficient of determination ( $R^2$ ) is “essentially to measure how far the model’s ability to explain the dependent variable (Widyawati et al., 2021). T test is used to see whether or not each independent variable is significant to the dependent variable (Hariyani et al., 2022); (Widyawati, 2017). The F test is carried out to see whether or not the independent variable is simultaneously (overall) significant to the dependent variables” (Kuncoro, 2011).

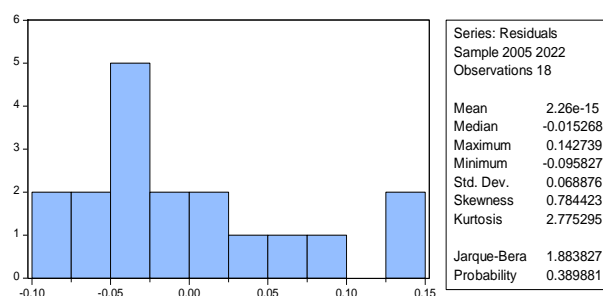
## DISCUSSION

This result describes the government expenditure by using general allocation fund and economic growth. analysis shows the effect of government expenditure and economic growth Based on the result of descriptive statistical analysis (Table 1), government expenditure shows that the mean was 12.014. Meanwhile, general allocation fund was 11.775 and economic growth was 6.161. This illustrates that the level of general allocation fund was higher in government expenditure. Other variables economic growth was 6.161 indicating that economic growth is minority for East Kotawaringin Regency.

**Table 1**  
**Descriptive Statistics**

Variables	Mean	Median	Max	Min.
Government Expenditure	12.014	12.095	12.290	11.530
General Allocation Fund	11.775	11.865	11.930	11.300
Economic Growth	6.161	6.965	7.940	-3.060

Source: Data Processed, 2023



**Picture 1**  
**Normality Test**

Source: Data Processed, 2023

## Normality test

The normality test, Jarque Bera value of 1,883 with a probability value of 0,389  $>$   $\alpha = 0.05$  (5%), so it can be concluded that the research data is normally distributed.

## Multicollinearity Test

Table 2 uses a partial correlation between the independent variables showing that there is no number more than 0,8, meaning that there is no multicollinearity in the research data.

**Table 2**  
**Multicollinearity**

Variable	DAU	GE
DAU	1.0000	0.0053
GE	0.0053	1.0000

Source: Data Processed, 2023

## Heteroskedasticity Test

Table 3, The Breusch Pagan Godfrey Heteroskedasticity test shows a calculated  $X^2$  (Obs\*R-Squared) value of 3,043 and  $X^2$  probability value of 0,218  $>$   $\alpha = 0.05$  (5%), meaning that there is no heteroscedasticity in the research model.

**Table 3**  
**Heteroskedasticity**

F-Statistic	1,526	Prob. F (2,15)	0,249
Obs*R-squared	3,043	Prob. Chi-Squares (2)	0,218

Source: Data Processed, 2023

## Autocorrelation Test

Table 4, The Breusch Pagan Serial Correlation LM Test shows the value  $X^2$  (Obs\*R-squared) is 1,472 and probability value of  $X^2$  is 0,478  $>$   $\alpha = 0.05$  (5%), meaning that there is no autocorrelation in this research model.

**Table 4**  
**Autocorrelation**

F-Statistic	0,579	Prob. F (2,15)	0,574
Obs*R-squared	1,472	Prob. Chi-Squares (2)	0,478

Source: Data Processed, 2023

The next test, R Square and F test, which is value R Square is 0.914 means independent variable explained variable dependent 91.4% and 8.6% is explained by variable outside the model. The result F-test statistic means variable dependent who can explained by all independent variables. As

a result, the probability F test is 0.000 more small from probability  $\alpha = 0.05$  (5%) or  $0.000 < 0.005$ , so variable general allocation fund and economic growth take effect significant to variable government expenditure.

**Table 5**  
**T-Test**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-3.478	1.239	-2.806	0.013
General Allocation of Funds (DAU)	1.320	0.105	12.554	0.000
Economic Growth (EG)	-0.000	0.006	-1.487	0.157

Source: Data Processed, 2023

From the result of t-test the following multiple linear regression equation is obtained:

$$GE = -3.478 + 1.320 \text{ DAU} - 0.000 \text{ EG}$$

Table 2, coefficient is -3.478 shows when general allocation of funds (DAU) and economic growth (EG) as constant (independent variable) to variable government expenditure (GE), then variable government expenditure is -3.478 million rupiah.

General Allocation of Funds (DAU) has influence positive to government expenditure in East Kotawaringin Regency 2005-2022. It means when general allocation of funds increases by 1 million rupiah, then government expenditure will be increase of 1.320 million rupiah. Probability general allocation of funds variable is  $0.000 < \alpha$  5% (0.05), so  $H_0$  rejected and  $H_a$  accepted. General allocation of funds variable has significant effect to government expenditure variable. The findings of this study indicate that the General Allocation Fund (DAU) has a significant and positive impact on government expenditure in East Kotawaringin Regency. This is indicated by a significant value of 0.000, which is less than the value of (0.05). This study's findings are consistent with those Awaniz (2011), Zakaria (2012), Ginting (2012), Sari (2016) and Pujiati (2018) that general allocation funds have a significant impact on economic growth. But, this research inconsistent with those Pipit (2014). This condition indicates that as the general allocation fund grows, so will regional expenditure. This means that every unit increase in the general allocation fund increases regional expenditure.

Economic Growth (EG) has influence negative to government expenditure in East Kotawaringin Regency 2005-2022. It means when economic growth increases by 1 million rupiah, then government expenditure will be decrease of 0.000 million rupiah. Probability economic growth variable is  $0.157 > \alpha$  5% (0.05), so  $H_a$  rejected and  $H_0$  accepted. Economic growth variable has insignificant effect to government expenditure variables. This is findings are consistent with those Dwirandra (2013), Tuasikal (2008). But, this research inconsistent with those, D. Sari et al., (2017), "Because economic growth does not provide direct funds to regions, it has no effect on expenditure allocations. Economic growth only reflects the state of the regional economy and does not generate income for the region". Economic growth is not the primary reference in the process of preparing APBD and capital expenditure allocation, but it is influenced by a number of factors, such as the process of preparing general budget policies for each district/city, which takes into account not only regional macroeconomic conditions but also socio-political conditions in the region.

## CLOSING

### Conclusion

This research aims to investigating influence general allocation of funds and economic growth towards government expenditure in East Kotawaringin Regency 2005-2022. The findings in this research discuss general allocation of funds and economic growth towards government expenditure. The result of this study show that general allocation fund have a significant to government expenditure. So if the amount of general allocation fund increases, it will increase government expenditure in East Kotawaringin Regency during the research period. On the other hand, economic growth has no significant effect to government expenditure in East Kotawaringin Regency.

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