

# THE EFFECT OF GOVERNMENT EXPENDITURES ON ECONOMIC GROWTH IN THE PROVINCE OF SOUTH SULAWESI

**Muh. Arif,**

Faculty of Economics and Business  
University of Brawijaya, Malang, Indonesia

**Umar Burhan,**

Faculty of Economics and Business  
University of Brawijaya, Malang, Indonesia

**Susilo,**

Faculty of Economics and Business  
University of Brawijaya, Malang, Indonesia

**Tri Setyo Wahyudi,**

Faculty of Economics and Business  
University of Brawijaya, Malang, Indonesia

## ABSTRACT

*South Sulawesi has a role of strategic importance for the development of eastern Indonesia region. Government spending continues to increase economic growth, especially in the sectors of education, health and infrastructure, economic growth is increasing, but still fluctuating. The description of the effect of government spending on education, health and infrastructure to economic growth that is different, it is necessary to study, let alone in the South Sulawesi government to make education, health, and infrastructure as a strategic sector which is the basis of development. This study aims to identify and analyze: the effect of government spending on education, health, and infrastructure to economic growth. The approach used is a positivist, which analyzes about relationship of correlation interdependence, coexistence, and causality, and explains the conditions that occur in the community (explanatory) and make predictions about things that predictive about the relationship between government spending with economic growth. The results showed that government spending on education and infrastructure positive influence, and significant economic growth, this suggests that the increased government spending that is expected to boost economic growth. Meanwhile, government expenditure in the health sector a negative effect, and also significantly to economic growth, this shows that if government spending on health increases could reduce economic growth.*

**Keywords:** Government Spending, Economic Growth.

## INTRODUCTION:

The benchmarks are important in determining the success of economic development where economic growth represents a real impact on development policies implemented. Economic growth is closely linked to the process of increasing the production of goods and services in the local economy. Some studies argued that the impact of government spending on economic growth is negative or insignificant (Akpan 2005, Laudau, 1983). Donald and Shuanglin, 1993). The economic growth is associated with the allocation of expenditure. The empirical literature suggests that some researchers believe that there is no impact of public spending on economic growth (Gupta et al., 2002). The description of the government spending effect on education, health and infrastructure to economic growth that is different, it is necessary to study how the influence expenditure the government to economic growth, let alone the South Sulawesi government to make education, health and infrastructure as a strategic sector which is the basis of development.

## RESEARCH METHODS:

### The Scope of Research:

This study discusses the effect of government spending on education, health and infrastructure to economic growth. This research was conducted at 24 (twenty four hour) districts / cities in South Sulawesi province. The details of the districts / cities can be presented in Table 1 as follows:

**Table 1: District or City in the province of South Sulawesi**

Number	District or City	Number	District or City
1	Kep. Selayar	13	Wajo
2	Bulukumba	14	Sidrap
3	Bantaeng	15	Pinrang
4	Jeneponto	16	Enrekang
5	Takalar	17	Luwu
6	Gowa	18	Tanatoraja
7	Sinjai	19	Luwu Utara
8	Maros	20	Luwu Timur
9	Pangkep	21	Toraja Utara
10	Barru	22	Makassar
11	Bone	23	Parepare
12	Soppeng	24	Palopo

## TYPES AND SOURCES OF DATA :

The data used in this research is secondary data or data that has been collected by others. The data on government spending (for education, health, and infrastructure) and the economic growth data for the above-mentioned districts / cities in South Sulawesi during the period of 2009-2012 is studied. Secondary data sources are generally obtained from the Central Statistics Agency (BPS), Financial Management Agency (BPKD), Planning, South Sulawesi, and other institutions in South Sulawesi that are relevant to the data contained in this study, as well as internet sites.

## DEFINITION AND MEASUREMENT OF VARIABLES:

The definition and measurement of variables are intended to explain the variables being studied which is explained in Table 2. In other words, these are the guidelines for how to measure a variable.

**Table 2 : Definition and Measurement of Variables**

Number	Variable	Definition	Unit
1	<b>Government Expenditure:</b> Education Expenditure (PPP)  Health Expenditure (PPK)  Infrastructure Expenditure (PPI)	The ratio of capital expenditure to total expenditure incurred by the city or county government in the field of education. The ratio of capital expenditure to total expenditure incurred by the city or county government in the health sector. The ratio of capital expenditure to total expenditure incurred by the district or city infrastructure.	Persentation (%)
2	<b>Economic Growth (PER)</b>	Percentage of GDP growth at constant from year to year.	Persentation (%)

### DATA ANALYSIS METHOD :

Model analysis in this study is inferential, the panel data analysis methods. Estimation of the econometric model used in this study Fixed Effect Model (FEM), which is an approach to estimate panel data using dummy variables to see any difference intercept a cross section and time series are caused by ommited variable. Estimating panel data model with the approach used by the method of estimation techniques Generalized Least Square (GLS). The model of the equation is as follows:

$$PER_{it} = \alpha_1 + \alpha_1 PPP_{it} + \alpha_2 PPK_{it} + \alpha_3 PPI_{it} + \alpha_{it}$$

### Wherein:

PER = Economic Growth  
 PPP = Expenses Education  
 PPK = Health Expenditure  
 PPI = Spending On Infrastructure  
 $\alpha_{it}$  = Error Term  
 $\alpha_0$  = Intercept  
 $\alpha_{1-3}$  = Coefficient Parameter  
 I = District Or Cities In Provinces  
 T = Time Period

### RESULTS AND DISCUSSION :

Based on data analysis, using the Fixed Effect Model (FEM), the estimation results obtained by the following equation:

$$PER_{it} = 4.8271 + 0.0361 PPP_{it} - 0.0383 PPK_{it} + 0.0322 PPI_{it} + \alpha_{it}$$

(0.8127)                      (0.0116)                      (0.0069)                      (0.0093)

### The estimation results above, can be explained:

Government Spending in Education (PPP)

Variable coefficient government spending on education (PPP) = 0.0361, indicating that the variable positive effect on economic growth. This means that if government spending on education has increased, the expected economic growth has also increased, with the assumption that the other variables constant (Akpan 2005, Laudau, 1983; Gupta et al., 2002).

Similarly, when viewed from the significant aspects, variable government expenditures on education have a significant effect on economic growth. This is due to variations in government spending increases are sometimes so large, and vice versa experienced a greater decline anyway, and also by changes in economic growth.

### GOVERNMENT EXPENDITURE IN THE FIELD OF HEALTH (PPK) :

Variable coefficient of government health spending (PPK) = -0.0383, indicating that these variables negatively affect economic growth. This means that if government spending on health has increased, it can lead to decline in economic growth, assuming that the other variables constant (Gupta et al., 2002; Folster and Henrekson, 1999). An examination of the significant, variables of government health spending significant effect on economic growth. This is due to variations in government spending are also sometimes increases so large, and vice versa experienced a greater decline anyway and is accompanied by changes in economic growth. Government spending in this sector is still relatively small.

### GOVERNMENT EXPENDITURES IN INFRASTRUCTURE (PPI) :

Variable coefficient government spending in infrastructure (PPI) = 0.0322, indicating that the variable positive effect on economic growth. This means that if the government spending in infrastructure has increased, the expected economic growth has also increased, with the assumption that the other variables constant. From the aspect of significant, variable government spending in infrastructure is also a significant effect on economic growth. This is due to variations in government spending increases are sometimes so large, and vice versa experienced a greater decline anyway and is accompanied by changes in economic growth. Besides, government spending in this sector is relatively large.

### CONCLUSION :

The conclusion for this research is showed that government spending on education, health and infrastructure are considered to boost economic growth. And empirically that the encouragement of the government spending on economic growth appears to be real. Supervision is hoped that the government budget in an efficient and effective, and continuously can increase from year to year. Similarly, budget allocations should be well targeted and prioritized sectors that can drive economic development, so that the quality of growth can also be improved.

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