ANALYSIS ON THE EFFECT OF LOCAL GOVERNMENT SPENDING AND LABOR ON ECONOMIC GROWTH IN PROVINCE OF BALI

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Abstract: **Economic growth that occurs in each region varies. One area sometimes experiences slow economic growth and sometimes experiences rapid growth. Government spending, both Direct and Indirect Expenditures and it's employee is very influential on the level of output in the economy. This study was conducted to determine the effect of local government spending and labor on economic growth in the Bali Provision for 2012 - 2016 This research is a quantitative study with secondary data obtained from BPS. Analysis of the data used is multiple regression analysis. The results of this study indicate that the direct expenditure variable has a positive and significant effect on economic growth by 32.6%. The indirect expenditure variable has a positive and significant effect on economic growth of 23.1%. Labor variable has a positive and significant effect on economic growth of 14.8%. Simultaneously the variables of direct expenditure, indirect expenditure and labor have a significant effect on the economic growth of Bali Province by 47.6%.**

Keywords: **Direct Spending, Indirect Spending, labor, and Economic Growth.**

I. INTRODUCTION

Economic growth is a problem of the economy of a region or even the country in the long run. Economic growth is the process of increasing the production of an economy that is realized in the form of an increase in national income. A country is said to experience economic growth if there is an increase in the real GNP in the country [3]. In the process of increasing the real GNP, a country would want economic growth followed by income distribution, poverty alleviation, and can open jobs so that it can reduce unemployment. In addition, with quality economic growth more people will be involved and enjoy the results of economic growth. Economic growth that occurs in each country must be different. Indonesia's economic growth rate in 2010-2017 shows fluctuations. The rate of economic growth in 2010 was 6.81% down in the last few years until 2015 to 4.79% and only increased in 2016 from 5.02% to 5.07% in 2017. Indonesia as a developing country continues to strive increase economic growth. Some kinds of indicators that can be used to measure economic growth are Gross Domestic Product (GDP), GDP per capita or income per capita, and income per hour worked. In economic development, the Provincial Government of Bali seeks to improve the welfare of its people to create a just and prosperous society. The effort is always pursued by equitable distribution of development between Regencies / Cities in the Province of Bali, about per capita income of the Province of Bali. To achieve economic growth, investment is needed, either private investment or government investment. Investment expenditure not only has an influence through a multiplier process on aggregate demand, but also on aggregate through its effect on production capacity. In a longer time, perspective, investment increases the stock of capital goods (capital) and any additional capital stock will also increase the ability of the community to produce output.

According to Neo Classical growth theory, economic growth depends on the availability of factors of production (population, labor, and capital accumulation) and the level of technological progress. High economic output can be generated from the production of goods and services carried out by residents. More and more population the more goods and services produced by an economy. In addition, a large population will also affect the area of the market that will accommodate the goods and services produced. This will further encourage economic growth. However, the large population growth must be balanced with the quality of its population. If the existing population is not matched by the quality of the population, this will only become a burden on the economy of a region. Economic growth will slow down if the number of workers cannot be absorbed well into the workforce. The quality of the population in this case the workforce must be improved to spur economic growth in a region. One way that can be done to improve the quality of the population is through education. Education is the main factor in the assessment of the human development index, therefore the average length of school can be used as a picture of the quality of community education in an area.

Average length of school (RLS) is one indicator that can be used to see the quality of human resources that are owned in the field of education. RLS calculates the average length of schooling taken by the productive age population, which is aged 15 years and over. The higher the RLS value in an area, the higher it will be the quality of human resources owned. RLS values in each regency of Bali Province continue to increase from year to year. However, in 2010 the RLS of the Province of Bali continued to increase every year from 7.74% to 8.55% in 2017. Based on global standards issued by UNDP, the RLS set was 15 years or equivalent to graduates of diploma or university levels. This means that the RLS of Bali Province is still relatively low and it can be concluded that the quality of human resources possessed is also relatively low. Bali as a province dubbed as a province with a high tourism income is naturally reasonable if this province has a good quality of human resources in terms of education level.

Bali residents generally work in various sectors including: agriculture, trade, tourism services, industrial sectors and other services. The following is the number of labor force by Regency / City in Bali Province for the Period of 2010-2017. Number of labor force employed based on the highest education completed by the province of Bali in 2010-2017 shows that the workforce graduating from high school, Diploma, and University in each region continues to increase from year to year. Bali as a city with the main income of the tourism sector shows that the percentage of the workforce graduating from high school, Diploma, and University continues to increase from 2,246,149 people to 2,434,450 people in 2017. This means that half of the workforce employed in the Province of Bali is a force High school, Diploma, and University graduate work that can be classified as an educated workforce. Government expenditure and revenue is regulated through the Regional Government Revenue and Expenditure Budget (APBD). Realization of the revenue and expenditure of the Bali provincial government continues to increase every year. Revenues earned by the government are allocated for financing in the form of government expenditure, both direct and indirect expenditures. The government expenditure is able to spur regional economic growth. Based on Law No. 32 of 2004 concerning Regional Government and Law No. 33 of 2004 concerning Financial Considerations between the Central Government and Regional Governments, it has changed the existing regional concepts and authorities. This law has a substantial meaning in the granting of regional authority which was originally intended on the basis of a prominent portion of central policy in the distribution of central-regional authority then directed towards regional independence in managing its area including financing policies. Government expenditure policy that can directly encourage economic growth is development spending because this variable is realized in the form of economic and social infrastructure development such as roads, bridges and infrastructure development in other economic sectors. In the Government Financial Report, expenditure is divided into two types, namely direct expenditure and indirect expenditure. Direct expenditure is expenditure that is directly related to the productivity of activities or directly related to organizational goals. Indirect expenditure, namely spending that is not directly related to productivity or organizational goals.

Government expenditure in terms of direct expenditure is the expenditure used by the planned programs and activities. This direct expenditure is an expenditure which is to increase the community's capital in the form of physical and non-physical development. Regional development expenditure is intended to finance development programs so that the budget is always adjusted to the funds successfully mobilized. Government expenditure seen from indirect expenditure is expenditure that is not used directly by the presence of programs or activities, including employee expenditure, goods and services expenditure and maintenance expenditure. Indirect expenditure budget plays an important role to support the smooth mechanism of the government system as well as efforts to increase efficiency and productivity which in turn will achieve the goals and objectives of each stage of development. The role of local government can be carried out through one of the policy instruments, namely expenditure (routine development) where government spending reflects the costs that must be incurred by the government to implement the policy Changes in the structure of the Balinese economy due to the economic development process that occurred in the period 2012 to 2016, not apart from two factors namely internal and external factors. Internal factors are more influenced by developments and changes in the behavior of each final expenditure component. While external factors are much influenced by changes in technology and the structure of global trade as a result of increased international trade. The data shows that each component of expenditure has different behavior according to its purpose. Over the past five years, the economic condition of Bali has shown steady development. This can be seen from the increasing GDP value and economic growth that continues to show a positive direction. The economic improvement is illustrated through the ADHB and ADHK GRDP Value, as well as the growth in the total GRDP. GRDP on current prices is the amount of gross added value arising from all economic sectors in a region. Bali's GRDP value at current prices during the 2012-2016 period shows an increase from year to year. The increase in value is influenced by changes in prices and also changes in volume. In 2016, Bali's GRDP reached 195 trillion rupiah. This value has increased 65.59 percent compared to 2012 which only reached 178 trillion rupiahs. GRDP growth, as a benchmark, the growth of a regional economy is also inseparable from the role of government spending in the public service sector. Local government expenditure is measured by the total routine expenditure and development expenditure allocated in the regional budget. The greater the productive regional government expenditure, the greater the economic level of a region. Economic growth should be able to show an increasing and steady trend from year to year, because high economic growth is needed to accelerate changes in the structure of the regional economy towards a balanced and dynamic economy. Economic growth is also needed to drive and disrupt development in other fields as well as the main force of development in order to increase people's income and overcome socio-economic inequality. Seeing the phenomenon of the economic growth of the province of Bali which has an impact on the income per capita of its population, not yet maximally absorbed labor in the labor market, it is necessary to examine more closely about the effects arising from government spending and labor and its implications for the economic growth of the Province of Bali.

II. HYPOTHESES

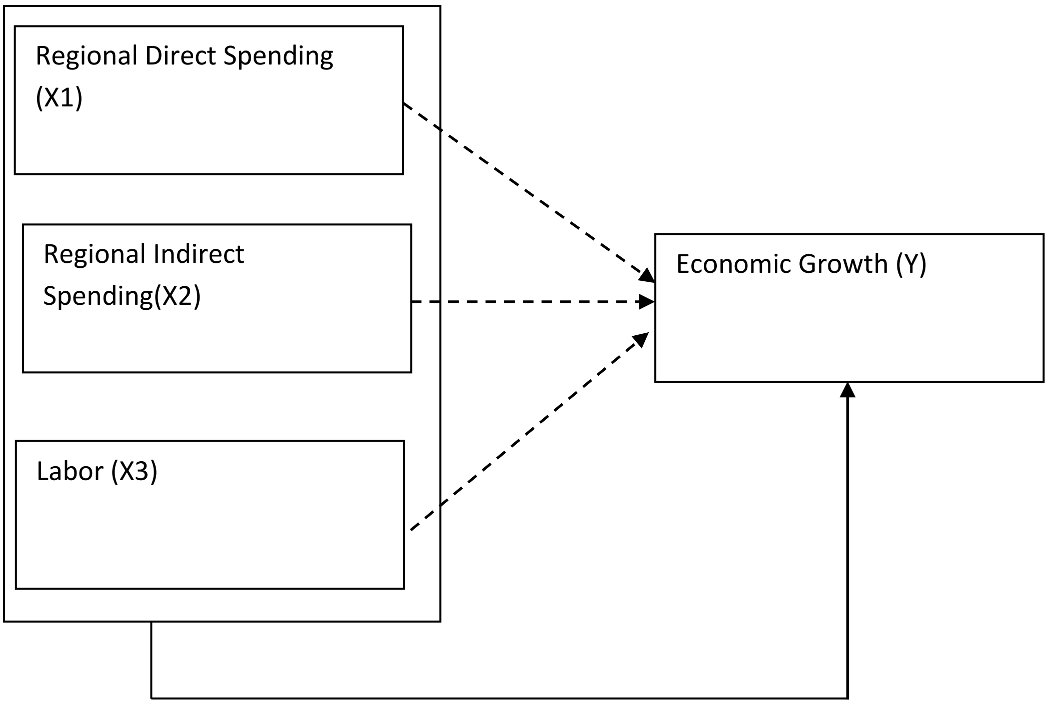
1. There is a positive effect on regional direct spending on the economic growth of Bali Province

2. There is a positive influence on regional indirect expenditure on the economic growth of the Province of Bali

3. There is a positive influence of labor on the economic growth of the Province of Bali

4. There is a positive influence simultaneously on regional direct expenditure, regional indirect expenditure and labor on the economic growth of Bali Province.

III. RESEARCH METHODS



This study uses a quantitative correlational approach with the Ex Post Facto design. This research was conducted to look for the effect of government expenditure (X1), labor (X2) on the economic growth of the local government of Bali (Y).

This research was conducted to look for the effect of government expenditure (X1), labor (X2) on the economic growth of the local government of Bali (Y). Data analysis method used in this study is a quantitative analysis method using panel data.

IV. RESULT AND DISCUSSION

The statistical test t aims to test the extent of the influence of one independent variable partially in explaining the variation of the dependent variable. This study uses a significance level of 0.05 (5%) for direct expenditure, indirect expenditure and labor. If t-count <t-table, the independent variable partially has no effect on the dependent variable (the hypothesis is rejected). Whereas if t-statistics> t-table then the independent variable partially influences the dependent variable (the hypothesis is accepted). The strength of the relationship between each independent variable to the dependent variable as shown in the table below.

Table 1: SPSS Result t-test

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	0.865	4.111		1.078	.039
	Shop directly	.326	.220	.410	2.367	.023
	Indirect Shopping	.231	.188	.316	3.336	.002
	Workforce	.148	.133	.084	1.970	.041

a. Dependent Variable: Economic Growth

Table 2: SPSS Result F-test

ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	5.493	3	2.746	140.246	.000[a]
	Residual	2405.190	41	0.193		
	Total	5370.305	44			

a. Predictors: (Constant), Labor Force, Indirect Shopping, Direct Shopping

b. Dependent Variable: Economic Growth

Based on the table above it is known that the f-count has a value of 140,246 greater than the f-table that is 2,830 and a significance value of 0,000 which is smaller than the significance of 0.005. Thus, it can be explained that direct expenditure, indirect expenditure, and labor simultaneously influence economic growth.

Effect of Direct Expenditures on Economic Growth

Based on data analysis and testing of the first hypothesis, regional direct expenditure has a positive and significant effect on economic growth. Based on the results of the t test, the calculated t value is greater than t table with a significance of less than 5%. This means that regional direct spending can affect economic growth. The greater regional direct expenditure will lead to an increase in economic growth in the province of Bali. This happens because direct expenditure is right on target, and efficient in the form of programs and activities whose achievements can be felt directly by the community so that it encourages economic growth. The increase in government spending on direct spending that occurred in districts / cities in Bali Province is actually very good because this increase indicates that the respective district / city governments are concerned about infrastructure improvements. With good infrastructure, it is expected to facilitate economic activities in the Province of Bali so that it will directly increase the percentage of regency / city economic growth in the Province of Bali. Direct expenditure budgeting in the context of implementing regional government programs and activities, consisting of mandatory functions, and optional functions. Direct expenditure is outlined in the form of programs and activities where the benefits of performance achievements can be felt directly by the community in the quality of public services, and the regional government's siding with the public interest [4].

The results of this study are also in accordance with Rostow and Musgrave's Theory which states that at the development stage, government investment is needed to increase economic growth in a region. In this study the intended government investment is government expenditure as seen from direct expenditure. The findings of this study support previous research conducted by [5] which explains that the direct expenditure variable has a positive and significant influence on economic growth / GRDP of Badung Regency at a 95% confidence level. In line with the results, [1] found a positive relationship between government spending and economic growth.

The Effect of Indirect Expenditures on Economic Growth

Based on data analysis and testing of the second hypothesis, regional indirect spending has a positive and significant effect on economic growth. Based on the results of the t test, the calculated t value is greater than t table with a significance of less than 5%. This means that regional indirect spending can affect economic growth. The greater the indirect expenditure of the region will lead to an increase in economic growth in the province of Bali. This happens because the indirect budget allocation, has a positive correlation with the growth of the financial economic sector, real estate and financial services and has a positive significance with the economic sector under study so that it can be concluded that the government has a stake in the development of the economic sector but, not through budget allocation investment but indirectly through the development of the economic sectors underneath, but through budgeted budget allocations for grants, social and others that automatically improve the welfare and purchasing power of the community. The amount of government spending on indirect spending does not have a direct impact on the community, but with government spending on indirect spending this can have an impact through public services performed by government employees to the community. The existence of this service is expected to expedite the activity process. The results of this study are supported by [6] research on the effect of investment, labor and government spending on economic growth in East Java Province, which states that government spending has a positive and significant effect on economic growth. Support for government spending in development in East Java is increasing every year. Government expenditure will boost the economy with the assumption that government expenditure is used entirely for economic activities that take place in the East Java region.

The Effect of Labor on Economic Growth

Based on data analysis and testing of the third hypothesis, labor has a positive and significant effect on economic growth. Based on the results of the t test, the calculated t value is smaller than t table, but the significance is smaller than 5%. This means that labor can influence economic growth. This means that an increase in the workforce will increase economic growth in the province of Bali. This happens because the workforce is inseparable from economic growth. Increased employment provides an increase in labor productivity which is the main source of economic growth. The relationship between labor and economic growth has a two-way relationship. The development side of the quality of the workforce makes an important contribution to economic growth. In terms of economic growth, it provides the resources that make human development possible. Labor is the use of human resources to produce goods and services. The use of increasingly sophisticated technology forced the granting of certain classifications for workers and job seekers. However, many of the human resources that fit the classification are ignored in the labor market. The results of this study are in accordance with the research of [2], that government and labor expenditure has a positive and significant effect on the Gross Regional Domestic Product (GRDP) of the Province of Bali. This study is also in accordance with the research of [7] which states that Fiscal and Labor Decentralization has a significant effect and has a positive relationship on the rate of economic growth in the regency / city of Central Java. Developing the potential of large human resources will become the real driving force of the regional economy, thereby reducing the unemployment rate.

The Simultaneous Effects of Direct, Indirect and Labor Expenditures on the Growth of the Bali Economy

Based on data analysis and testing of the fourth hypothesis, there are simultaneous positive effects of direct regional expenditure, regional indirect expenditure and labor on economic growth. Based on the results of the f test, the calculated f value is greater than the f table and the significance is less than 5%. This means that the variable Government Expenditure in the form of direct and indirect expenditure as well as the labor force together has a significant influence on Economic Growth in the Province of Bali. This happens because government spending on indirect spending and direct expenditure in labor and labor together affect the economic growth of districts / cities in Bali Province in 2012 to 2016. This is due to an increase in the amount of government spending on indirect spending which increase will result in increased economic growth. Although the government expenditure for indirect spending the impact is not directly felt by the community. This happens because the process of distribution of government expenditure for indirect expenditure to the public is done through public services performed by government employees. These public services, such as investment licensing services, letter extension services and others. Meanwhile, with an increase in government spending on direct expenditure, the portion for infrastructure development will be even greater. The existence of better public services and the availability of adequate infrastructure is expected to speed up economic activity so as to increase the economic growth of districts / cities in the Province of Bali. Likewise, the educated workforce will be able to increase productivity so that it also affects economic growth. The results of this study are consistent with the results of research conducted by Steffi Iksan, Rosalina A.M Koleangan and Een J. Walewangko which shows that the influence of direct spending and expenditure does not affect the increase in the financial sector, real estate and financial services. And from the results of mathematical calculations, the results show that direct spending does not have a positive and significant correlation to the increase in the sector under study, even so the allocation of indirect spending has a positive correlation, but the level of significance is still lacking when seen partially. However, when the R square was calculated, the figure of 88.5 influences the level of influence of two independent variables or direct and indirect expenditure variables to the dependent variables of the financial sector, real estate and company services.

V. CONCLUSSION AND SUGGESTION

Based on the analysis that has been done, it can be concluded that the direct expenditure variable has a positive and significant effect on economic growth of 32.6%. The indirect expenditure variable has a positive and significant effect on economic growth of 23.1%. Labor variable has a positive and significant effect on economic growth of 14.8%. The variables of direct expenditure, indirect expenditure and labor simultaneously have a significant effect on Economic Growth in Bali Province by 47.6%. Suggestion for the Government of the Province of Bali is that although the three independent variables have a positive and significant effect on economic growth in the Province of Bali, the magnitude of its influence is relatively small, this needs to be considered about the indicators that determine changes in economic growth. For further researchers, if interested in conducting similar research, it is better to add more variable variables and the number of observations in the study both time series and cross sections.

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