

THE INFLUENCE OF LOCAL GOVERNMENT EXPENDITURE ON ECONOMIC GROWTH IN THE DISCIPITIES/CITIES OF WEST SUMATRA PROVINCE 2019-2023

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Abstract

This study aims to determine and analyze the extent to which local government spending affects economic growth in the regencies/cities of West Sumatra Province. This study supports the theory of John Maynard Keynes. According to Keynes, local government spending plays an important role in determining the rate of economic growth. If local government spending decreases, economic growth will also decline. The research method used in this study is quantitative associative. The type of data used in this study is secondary data with data collection techniques obtained from the Central Statistics Agency (BPS) of West Sumatra Province. The data used is for 5 years, from 2019 to 2023. The tool used in data processing is the SPSS 26 program. The data analysis technique used in this study is simple linear regression analysis. The results of the study were conducted using the t-test and R Square with alpha 0.05 and a confidence level of 95%. The results of this study indicate that Local Government Spending has a significant influence on Economic Growth by 85.1% and the remaining 14.9% is influenced by other variables not examined in this study, such as poverty, concentration of economic activity, unequal income distribution, consumption, investment, exports, and imports. Therefore, it is necessary to implement effective and efficient local government policies to achieve the desired economic growth goals. To achieve high economic growth, the role of the government is required, namely by managing government spending by allocating budgets to ensure that government spending is in accordance with plans and goals that have been set.

Keywords: *Local Government Spending, Economic Growth, Simple Linear Regression*

I. INTRODUCTION

Economic growth is one indicator of the progress of a region, the regional government has an important role in increasing economic growth through fiscal policy, one of which is regional government spending. West Sumatra has 19 districts/cities, where economic growth in each region is a special concern for each regional government (Abdul Aziz, 2024). Economic growth is an activity in the economy that causes goods and services to increase that applies in a country, such as increasing the number of industrial goods production, infrastructure development, increasing production in the service sector and increasing production of capital goods (Sadono Sukirno, 2012). The indicator used in the economic growth variable in this study is Gross Regional Domestic Product (GRDP) at Constant Prices. GRDP at constant prices shows the added value of goods and services which is calculated using a certain base year price, GRDP at constant prices is used to determine economic growth from year to year.

According to Keynes, the macro situation of an economy is determined by what happens to the aggregate demand of society if aggregate demand exceeds aggregate supply (or output produced) in that period, then a situation of "production shortage" will occur. (Erna Chotidjah et al, 2020) According to the Central Statistics Agency (BPS) of West Sumatra Province in 2015, quoted in the book by Mulyaningsih (2019), there are several things that influence economic growth, including: The level of dependence on the primary sector, the role of consumption as a source of economic growth, infrastructure development, public savings, and regional government spending. Economic growth is influenced by two other factors, namely economic and non-economic factors.

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Economic factors here include natural resources, organizations, technological advances, division of labor and scale of production. While non-economic factors include social, cultural, and political factors. The following describes economic growth data based on constant prices for districts/cities in West Sumatra province.

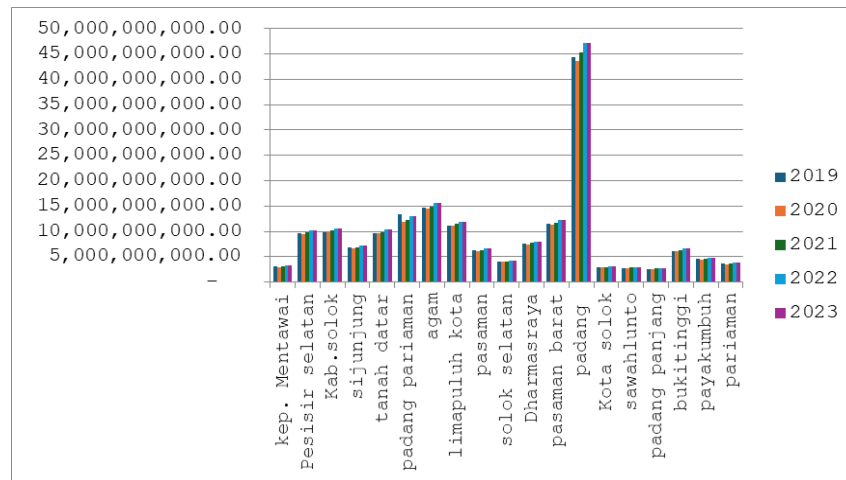


Figure 1 Economic Growth Chart of Regencies/Cities in West Sumatra Province 2019-2023

Based on the data above, it can be seen that economic growth in the regencies/cities of West Sumatra province has fluctuated from year to year over the past five years. In 2019, the highest economic growth was in Padang City, at 44,456,790,000.00, while the lowest economic growth was in the Mentawai Islands, Solok City, Sawahlunto, and Padang Panjang. According to Bastian, Regional Government Expenditure is an estimate of regional expenditure burdens allocated fairly and equitably so that they can be enjoyed by all community groups without discrimination, particularly in public services. Thus, regional government expenditure plays a crucial role in regional development and public welfare. In this study, the Regional Government Expenditure indicator used is the realization of Regional Expenditure, namely the total amount of direct and indirect expenditures in the regional budget, along with a breakdown of data on the realization of Regional Government Expenditure in the districts/cities of West Sumatra Province (Siktania Maria et al., 2022). The following describes the Regional Government Spending data, namely the total amount of direct and indirect spending in the regional spending budget of the districts/cities of West Sumatra province in the image below:

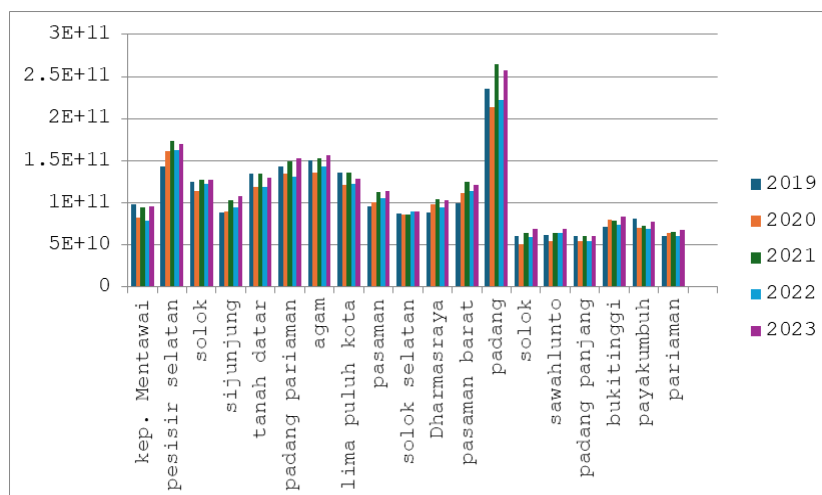


Figure 2.Realization of Regional Government Expenditure of Districts/Cities of West Sumatra Province 2019-2023

Based on the figure above, it can be seen that the realization of Regional Government Expenditure in the regencies/cities of West Sumatra province has fluctuated from year to year. The lowest Regional Government Expenditure was in 2020, namely the city of Solok at 508,130,155.12, Sawahlunto at 544,263,658.20 and Padang

Panjang at 544,006,535.00. While the highest Regional Government Expenditure was in the city of Padang in 2021 at 2,649,626,257.64. In theory, if regional spending increases, economic growth should also increase. Anitasari and Sholeh state that one way the government can achieve high economic growth and reduce unemployment is by increasing spending (Hadi Sabilla & Tara May Sumarsono, 2022). Based on research conducted by Nuryanto in 2023 with the research title "The relationship between regional government spending and gross regional domestic product in Kalimantan through the stochastic frontier analysis approach" This research uses a parametric approach with data analysis techniques (SFA) which is one of the benchmarking methods that has been applied in various disciplines. The results and discussion in this study are that the frontier measurement method is used to measure the level of efficiency in achieving economic growth by comparing the amount of government spending to the achievement of gross regional domestic product (GRDP). The results of the analysis show that most regional governments on the island of Kalimantan have not achieved efficiency in regional spending on achieving their GRDP. In contrast to researchers who conducted research with the title "the effect of regional government spending on economic growth in districts/cities of West Sumatra province in 2019-2023" In this study, the type of research used is research with an associative quantitative approach, namely research that explains the relationship or influence between Regional Government Spending as an Independent variable (X) and Economic Growth as a dependent variable (Y) in districts/cities of West Sumatra province in 2019-2023. Based on the background above, the problem formulation in this study is: Does regional government spending affect economic growth in districts/cities in West Sumatra Province in 2019-2023? How big is the influence of regional government spending on economic growth in districts/cities in West Sumatra Province in 2019-2023?

LITERATURE REVIEW

Islamic Economic Development Theory

Ibn Khaldun's Development Model

Development in Ibn Khaldun's model does not refer solely to economic growth. It encompasses all aspects of human development, so that each variable enriches the others and ultimately contributes to human well-being or true happiness. Development cannot be implemented without the element of justice. Justice in question is not viewed in a narrow economic sense, but in a more comprehensive sense. Justice encompasses all sectors of human life. Furthermore, this comprehensive, holistic justice cannot be achieved without a caring society. Justice through brotherhood and social equality guarantees security of life, property rights, and respect for the dignity of others, the honest fulfillment of political and socio-economic obligations, fair wages for all who have worked, and the prevention of injustice against anyone in any form (Azizon, 2021).

As-Syatibi Development Model

The second Islamic economic development model is the As Syatibi development model. This development model is essentially based on the concept of maqasid sharia, the goals of Islamic economics, encompassing religion, life, reason, descendants, and wealth. In this model, economic development is derived from the components of development objectives. This differs from Ibn Khaldun's theory, which tends to use an elemental approach to development that influences the functioning of a system in society. Development analysis is based on the desired goals of development.

Theory of Economic Growth

Theoretically, the rate of economic growth is positively correlated with investment, as stated by Keynes, among others, in Jhingan. Keynes suggested that the government increase spending because he viewed the government as an independent agent capable of stimulating the economy through public works (Awal N Bahasoan, 2022). According to the Harrod-Domar theory, in analyzing the problem of economic growth, it emphasizes the role of investment as a factor that causes an increase in aggregate spending. This theory essentially emphasizes the role of the demand side in realizing growth (Mulyaningsih, 2019).

Understanding Economic Growth

Economic growth is an activity in the economy that causes an increase in goods and services that apply in a country, such as an increase in the number of industrial goods production, infrastructure development, an increase in the production of the service sector and an increase in the production of capital goods (Sadono Sukirno, 2012). According to Shumpeter, economic growth is an increase in output (national income) caused by natural increases in the population growth rate and savings rate (Siti Indayani & Budi Hartono, 2020).

Understanding Government Spending

According to Bastian, Regional Government Expenditure is an estimate of the burden of regional expenditure which is allocated fairly and evenly so that it can be enjoyed by all groups in society without discrimination. especially in public services. Thus, it can be concluded that Regional Government Expenditure is all regional expenditure/expenses issued from the regional treasury in one budget period that are allocated fairly and evenly to the community, especially for public services.(Siktania Maria & Henrikus Herdi, 2022)

The Influence of Regional Government Spending on Economic Growth.

Regional spending can positively influence economic growth, with regional income being one of the triggers. This means that an increase in regional income can also lead to an increase in economic growth. Flexible regional spending sources, available in terms of future utilization, will allow regions greater flexibility in planning budget allocations for development activities in line with their economic agendas, including the development of basic facilities and infrastructure that play a role in supporting economic growth (Mulyaningsih, 2019).

RESEARCH METHODS

The research method used in this study is quantitative associative. The type of data used in this study is secondary data with data collection techniques obtained from the Central Statistics Agency (BPS) of West Sumatra Province. The data used for 5 years, namely from 2019-2023. The tool used in data processing is the SPSS 26 program. The data analysis technique used in this study is simple linear regression analysis.

RESULTS AND DISCUSSION

RESEARCH RESULT

1. Normality Test

The normality test was conducted to determine whether the independent and dependent variables in this study were normally distributed. Based on the provisions, if the sig. value is greater than 0.05, the data is normally distributed.

Table 1. Normality Test Output Results

Statistics		Df	Sig.
ShoppingOrder Area	.100	95	.019
Growth Economy	.244	95	.000
a.Lilliefors Significance Correction			

Source: Processed secondary data,2025

Based on the table above, the results of the normality test using the Kolmogorov-Smirnov test show that the research data on regional government spending is not normally distributed because the sig. value of 0.019 is smaller than the significance level of 0.05. Meanwhile, the research data on economic growth is not normally distributed because the sig. value of 0.000 is less than the significance level of 0.05. To overcome the abnormality of the data on regional government spending and economic growth, a regression analysis can be carried out.This is done by changing the data into Natural Logarithm (LN) form. A variable that has an abnormal data distribution can be handled by transforming the data into LN form or other forms (Singgih Santoso, 2019). The results of the data normality test after data transformation in LN form can be seen in the table below:

Table 2. Output Results of Normality Test after LN (Natural Logarithm)

Statistics		Df	Sig.
LN_X	.062	95	.200*
LN_Y	.085	95	.087
*.This is a lower bound of the true significance.			
a. LillieforsSignificance Correction			

Source: Processed secondary data,2025

Based on the table above, it can be seen that regional government spending has a sig. value of 0.200, which is greater than the significance level of 0.05, and economic growth data has a sig. value of 0.87, which is greater than the significance level of 0.05. Therefore, it can be concluded that regional government spending and economic growth are normally distributed. Normally distributed data means data that has a normal distribution, data that has a normal distribution is data that has a symmetrical distribution, a symmetrical distribution is a data distribution that has the same shape on both sides of the midpoint.

2. Homogeneity Test

A homogeneity test is necessary to prove that the underlying data to be processed is homogeneous, so that all forms of evidence reflect the truth, not influenced by the variance contained in the data being processed. According to the provisions, if the sig. value is greater than 0.05, the data has homogeneous variance.

Table 3. Results of the Homogeneity Test Output

Test of Homogeneity of Variances					
		Levene Statistics	df1	df2	Sig.
Shopping Government Area	Based on Mean	23,637	1	187	.070
	Based on Median	23,606	1	187	.104
	Based on Median and with adjusted df	23,606	1	145,300	0.060
	Based on trimmed mean	23,672	1	187	.075

Source: Processed secondary data,2025

Based on the test results above which were carried out using the Levene Test in the tabletests of homogeneity of varianceonshow that,regional government spending has a significant value greater than (0.05),So the data in this study is homogeneous and means that the sample data studied has the same variety.

3. Linearity Test

A linearity test is conducted to determine whether or not there is a linear relationship between the dependent and independent variables. The assessment criteria are: if the value is > 0.05 , a linear relationship is established, and if it is < 0.05 , there is no linear relationship. The results can be seen in the sig. coefficient value of the deviation from linearity. The results can be seen in the table below:

Table 4. Linearity Test Output Results

ANOVA TABLE						
		Sum of Squares	Df	Mean Square	F	Sig.
Between Groups	(Combined)	46,448	93	.499	.732	.754
	Linearity	.053	1	.053	.078	.827
	Deviation from Linearity	46,395	92	.504	.739	.752
Within Groups		.682	1	.682		
Total		47,130	94			

Source: Processed secondary data,2025

Based on the results of the linearity test above, it shows that the deviation from linearity value of the data is 0.752. This can be concluded that the data in this study shows a linear relationship, a linear relationship is the

relationship between two variables that can be described as a straight line between the regional government spending variable (X) and economic growth (Y).

Hypothesis Testing

1. Simple linear regression test

A simple linear regression test is an analysis consisting of only two variables: the independent variable and the dependent variable. This study analyzes the influence between local government spending and economic growth.

Table 5. Multiple Linear Regression Test Results

Coefficients ^a					
Unstandardized Coefficients			Standardized Coefficients	T	Sig.
Model	B	Std. Error	Beta		
(Constant)	-13,212	1,554		-8,500	.000
LN_Regional Government Spending	1,731	.075	.923	23,090	.000

a. Dependent Variable: Economic Growth

Source: Processed secondary data,2025

$$Y = \beta_0 + \beta_1 X + e_i$$

$$Y = -13.212 + 1.731X + e_i$$

Model Interpretation:

- The constant -13.212 means that if there is no regional government spending (X=0) then the estimated economic growth value is -13.212.
- The regression coefficient for regional government spending is 1.731, or 173.1%, with a negative coefficient, meaning that every one percent increase in regional government spending will reduce economic growth by 173.1%. This indicates that the higher the value of regional government spending, the lower the value of economic growth.

2. t-test

The t-test is used to determine whether or not each independent factor variable has an influence on the dependent variable.

Table 6. Output of t-Test Results

Coefficients ^a					
Unstandardized Coefficients			Standardized Coefficients	t	Sig.
Model	B	Std. Error	Beta		
(Constant)	-13,212	1,554		-8,500	.000
LN_Regional Government Spending	1,731	.075	.923	23,090	.000

a. Dependent Variable: Economic Growth

Source: Processed secondary data,2025

Based on the table above, the t value for the independent variable, namely regional government spending, is 23.090 with a significance level of 0.000. A significance value of $0.000 < 0.05$ indicates that the regional government spending variable has a significant effect at a significance level of 5% on economic growth. H_a is accepted at 5% alpha and 95% confidence, meaning there is a significant effect of regional government spending on economic growth at a 5% error tolerance level and a 95% confidence level.

3. Coefficient of Determination

The coefficient of determination is a test conducted to see the extent of the influence of the independent variable (regional government spending) on the dependent variable (economic growth).

Table 7. Output of t-Test Results

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.923a	.851	.850	.274
a. Predictors: (Constant), LN_X				
a. Dependent Variable: LN_Y				

Source: Processed secondary data, 2025

Based on Table 7, the R^2 value is 0.0851, equal to 85.1%. This means that 85.1% of economic growth (Y) is influenced by local government spending. The remaining 14.9% is influenced by other factors not examined in this study, such as poverty, concentration of economic activity, and unequal income distribution. Furthermore, Mulyaningsih proposed several factors that can influence economic growth: differences in natural resources, technological advancement, organization, division of labor, and scale of production.

DISCUSSION

The results of the t-test calculation show that local government spending has a significant effect on economic growth in the Regency/City of West Sumatra Province in 2019-2023 with a result of $0.000 < 0.05$ indicating that the local government spending variable has a significant effect at a significance level of 5% on economic growth. H_a is accepted at 5% alpha and 95% confidence, meaning there is a significant effect of local government spending on economic growth at a 5% error tolerance level and a 95% confidence level. This research supports the theory of John Maynard Keynes. According to Keynes, local government spending plays an important role in determining the level of economic growth. If local spending decreases, economic growth will also decrease. The formula often associated with Keynes is $Y = C + I + G + (XM)$. This formula shows that national income (Y) is influenced by consumption, investment, government spending and foreign trade (exports and imports). Keynes emphasized the importance of the government's role in regulating the economy through fiscal policy, namely by increasing government spending (G). To increase local government spending, effective and efficient planning and implementation of regional spending are needed to achieve the desired economic growth.

It can be seen in the economic growth graph of the districts/cities of West Sumatra province in 2019-2023 on page 4 that the highest economic growth is in Padang City. Padang City has high economic growth because the city is known for its various world-class tourist and culinary attractions. This has been known by the surrounding community and even foreign citizens, so that with the presence of tourists who come, it will increase the income of a region through levies which cause local economic growth to increase. While the lowest economic growth is found in the Mentawai Islands, this is because the Mentawai Islands are a remote island region, so it may experience difficulties in developing adequate infrastructure to support economic growth.

Regional Government Spending on Economic Growth in Districts/Cities in West Sumatra Province. In the R-Square test, a value of 0.0851 was obtained, and the R^2 (R-squared) value was 0.0851, equal to 85.1%. This shows that the regional government spending variable (X) has a significant impact on economic growth (Y). The remaining 14.9% is influenced by other factors not examined in this study, such as poverty, concentration of economic activities, and unequal income distribution. In addition, Mulyaningsih put forward several factors that can influence economic growth, namely differences in natural resources, technological progress, organization, division of labor, and production scale. and other factors that influence economic growth according to John

Maynard Keynes, such as consumption, investment, exports, and imports.

CONCLUSION

The Regional Government Expenditure variable (X) has an influence on the variable (Y) of economic growth in the districts/cities of West Sumatra province (2019-2023). With a result of $0.000 < 0.05$, it shows that the regional government expenditure variable has a significant effect at a significance level of 5% on economic growth. Then H_0 is rejected and H_a is accepted at an alpha of 5% and 95% confidence, meaning there is a significant influence of regional government expenditure on economic growth at a 5% error tolerance level and a 95% confidence level. Therefore, it is necessary to implement effective and efficient regional government policies to achieve the desired economic growth goals. To achieve high economic growth, the role of the government is needed, namely by carrying out government spending by managing the budget to ensure that government spending is in accordance with the plans and objectives that have been set.

In the R-Squared test, a value of 0.0851, equal to 85.1%, was obtained. This indicates that the independent variables, namely regional government spending, collectively influence economic growth by 0.0851 or 85.1%. While the remaining 14.9% is influenced by other factors not examined in this study, such as poverty, concentration of economic activity, and unequal income distribution. In addition, Mulyaningsih put forward several factors that can influence economic growth, namely differences in natural resources, technological progress, organization, division of labor, and scale of production. and other factors that influence economic growth according to John Maynard Keynes, such as consumption, investment, exports, and imports.

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