

**THE EFFECT OF CAPITAL EXPENDITURE AND GOODS AND SERVICES
EXPENDITURE ON ECONOMIC GROWTH**

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ABSTRAK

Penelitian ini bertujuan untuk menguji pengaruh Belanja Modal dan Belanja Barang dan Jasa terhadap Pertumbuhan Ekonomi di Provinsi Sulawesi Selatan yang saat itu pertumbuhan ekonomi meningkat namun belum di ketahui faktor utamanya, adapun data yang digunakan adalah data sekunder time series yang bersumber dari Website Direktorat Jendral Perimbangan Keuangan Kementerian Keuangan (DJPK) dan Badan Pusat Statistik (BPS), diolah dengan menggunakan metode/model *Error Corection Model (ECM)*. Hasil penelitian ini menunjukkan bahwa variable Belanja Modal tidak berpengaruh positif signifikan terhadap Pertumbuhan Ekonomi di Provinsi Sulawesi Selatan. Demikian pula variabel Belanja Barang dan Jasa juga tidak berpengaruh positif dan signifikan terhadap Pertumbuhan Ekonomi di Provinsi Sulawesi Selatan. Sehingga dapat dikatakan bahwa Pertumbuhan Ekonomi di Provinsi Sulawesi Selatan disebabkan oleh faktor lain yang tidak diteliti dalam penelitian ini. Oleh karena itu perlu di dalam kembali apa sebab pertumbuhan ekonomi meningkat di tahun (2019-2021). Penelitian selanjutnya perlu menggunakan metode dan lokasi yang berbeda untuk mendapatkan hasil yang komprehensif.

Kata Kunci : Belanja Modal, Belanja Barang dan Jasa, Pertumbuhan Ekonomi.

ABSTRACT

This research aims to examine the influence of Capital Expenditures and Goods and Services Expenditures on Economic Growth in South Sulawesi Province, which at that time economic growth was increasing. The data used is Time Series secondary data sourced from the Website of the Directorate General of Financial Balance, Ministry of Finance (DJPK) and Central Statistics Agency (BPS), processed using the Error Correction Model (ECM) method/model. The results of this research indicate that the Capital Expenditure variable does not have a significant positive effect on Economic Growth in South Sulawesi Province. Likewise, the Goods and Services Expenditure variable also does not have a positive and significant effect on Economic Growth in South Sulawesi Province. So it can be said that economic growth in South Sulawesi Province is caused by other factors not examined in this research. Therefore, it is necessary to explore again what economic growth is increasing in (2019-2021).

Keyword: Capital Expenditure, Expenditure on Goods and Services, Economic Growth

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I. INTRODUCTION

Economic growth is an increase in the ability of an economy to produce goods and services. Or in other words, economic growth refers more to quantitative changes which are usually measured using gross domestic product (GDP) data or per capita output income. The rate of economic growth shows the percentage increase in real national income in a given year compared to real national income in the previous year. The higher the level of economic growth, the faster the process of adding regional output, so that the prospects for regional development are getting better. If the sources of economic growth are known, then the scale of development priorities can be determined.

According to (Mankiw, 2007; M. Anwar et al., 2020) economic growth is an indicator to determine how successful a country's economic development can be said to be experiencing economic growth if there is an increase in national income and an increase in output. This increase in national income can be seen from the large amount of Gross Domestic Product (GDP) produced each year. For a region to see its regional income, it can be seen from the amount of Gross Regional Domestic Product (GDP) produced each year.

The economic growth within the scope of an area is a description of the existence of economic development within an area itself. Therefore, the government always strives for economic growth to increase from year to year which will increase people's welfare. Economic growth itself will later show the extent to which economic activity will generate additional income for the community in a certain period. Because basically economic activity is a process of using factors of production to produce output, this process will in turn produce a flow of remuneration for the factors of production owned by the community.

Regional Government expenditure is measured by one of the total direct

expenditures allocated in the Regional Budget. Capital expenditure and spending on goods and services are included in direct spending. Proportionate government spending will increase economic growth to (Junaidi, 2016a; Yee et al., 2020).

Government spending reflected in the Regional Revenue and Expenditure Budget (APBD) comes from Central Assistance and Regional Original Revenue (PAD). This APBD is a form of accumulation of Government Capital which is used to encourage the Economic Growth of a Region. The target for using government spending is to finance development in the field of facilities and infrastructure that can support the Government's control in Economic Growth located in the State Budget which contains the amount and purpose for which the Budget is used. One of the budget items in the central government expenditure budget.

Capital expenditures are used in the context of capital formation which is to increase fixed assets/investments that provide benefits for more than one accounting period, including expenditures for maintenance costs to maintain or increase the useful life, as well as increase the capacity and quality of assets (Government Regulation Number 71 year 2010). As for one of the important points of capital expenditure that has a direct impact on the community is the procurement of infrastructure. Infrastructure that touches community activities can have an impact on economic growth to (Junaidi, 2016b).

Expenditure on goods and services is expenditure for the procurement of goods within the government environment whose use value is less than one year in the accounting period or the use of services in carrying out government activities in a region. When spending on goods and services is properly met, government employees will be able to maximize public services (Pangestu, 2018). Expenditure on goods and services

is used by the government as a supporter of the smooth running of tasks in providing services to the community so that the higher the realization of spending on goods and services by the regional government will increase the economic activity of the region which will ultimately affect the level of economic growth (Gosal et al., 2022; Junaidi et al., 2021).

According to the regulation of the Ministry of Finance number 110/PMK 02 of 2018, regarding the classification of the budget, spending on goods and services is to accommodate purchases of consumable goods and services to produce goods/services that are marketed or not marketed and the procurement of goods intended to be delivered or sold return to the community/local government (Pemda) and travel spending. Expenditure on goods and services is used for expenditure on operational goods, expenditure on non-operational goods, expenditure on Public Service Agencies (BLU), and expenditure on goods for the community or other groups.

From previous research by (Istianto et al., 2021), capital expenditure has a positive and significant influence on the economic growth of 5 (five) Regencies/cities in Bolang Mongondow Raya. (Pusporini, 2020), that spending on goods and services has a positive effect on economic growth, while capital expenditure does not have a positive effect on economic growth in Central Java Province. Based on the background of the description above, the authors are interested in researching "The Influence of Capital Expenditures and Expenditure on Goods and Services on Economic Growth in South Sulawesi".

Based on the description above, the problem in this study can be formulated as follows:

1. Does Capital Expenditure affect economic growth in South Sulawesi?

2. Can Goods and Services Expenditure be able to increase economic growth in South Sulawesi?

Economic growth

Economic growth is a long-term increase in the ability of a country (region) to provide more and more economic goods to its population, (Jhingan, 2007) In addition (Huda, 1999). Stating that economic growth is the process of increasing per capita output produced by the Gross Regional Domestic Product (GRDP). Which is used to measure the total value of goods and services produced in an area. According to the concept of economic theory to measure the total value of goods and services produced in a country or nationally is the Gross Domestic Product (GDP).

(Todaro et al., 2006). Says there are three main factors or components in economic growth.

1. First, capital accumulation which includes all forms and types of new investments invested in land, physical equipment and human resources.
2. Second, the population growth which in the next few years will automatically bring about the growth of the labor force.
3. Third, technological advances, fixed assets owned as a result of capital expenditures are the main prerequisites in providing public services by local governments.

Robert Solow as one of the adherents of the Neo-Classical Theory of economic growth argues that economic growth is a series of activities that originate in humans, capital accumulation, the use of modern technology and results or outputs. Population growth can have both positive and negative impacts. Therefore, according to Robert Solow, population growth must be utilized as a positive resource. (Welianto and Ari, 2020).

Capital Expenditures and Expenditures for Goods and Services

Definition of capital expenditure

Government Regulation Number 71 of 2010 concerning Government Accounting Standards defines capital expenditure as a budget expenditure to acquire fixed assets and other assets that provide benefits for more than one accounting period. Further details regarding capital expenditures are described in Technical Bulletin 03: presentation and disclosure of Government Expenditures.

This capital expenditure is held to form a capital, so that these expenditures add to the benefits of fixed assets or investments so that they can be maximized in more than one period.

Features of Fixed Assets:

1. Tangible
2. Has a useful life of more than 1 year
3. Will increase government assets
4. The value is relatively material.

Other Asset Characteristics:

1. Intangible
2. Will increase government assets
3. Has a useful life of more than 1 year
4. The value is relatively material

Capital Expenditures can be included in 5 (five) main categories:

1. Land Capital Expenditures are expenditures/costs used for procurement/completion waiver, transfer of name and land lease, vacancy, confinement, land preparation, issuance of certificates, and other expenditures in connection with the acquisition of land rights and until the land in question is in ready-to-use condition .
2. Equipment and Machinery Capital Expenditures Equipment and Machinery Capital Expenditures, namely expenditures/costs used to procure and increase the capacity of equipment and machinery as well as office inventory that provide benefits for more than 12 (twelve) months and

until the said equipment and machines are ready for use.

3. Capital Expenditures for Buildings and Buildings are expenses/ expenditures used for the procurement/addition/improvement of construction and other physical maintenance that are not categorized into the criteria for capital expenditures for land, and irrigation roads and networks that increase capacity until the irrigation roads and Networks referred to are in a condition ready.
4. Capital Expenditure for Roads, Irrigation and Networks is expenditure, manufacture and maintenance for the planning, supervision and management of irrigation roads and networks that increase capacity until the said Irrigation roads and networks are in a ready-to-use condition.
5. Other Physical Capital Expenditures are expenditures/costs used for the procurement/addition/replacement/manufacturing and maintenance of other physical assets that cannot be categorized into the criteria for capital expenditures for land, equipment and machinery, buildings and buildings, and irrigation roads and networks, including in this expenditure are capital expenditures for lease purchase contracts, purchases of art items, antiquities and items for museums, animals and plants, books, and scientific journals.

Development of facilities and infrastructure by local governments has a positive effect on economic growth, (Kuncoro, 2004). The fundamental requirement for economic development is the level of procurement of development capital that is balanced with population growth. Such capital formation should be defined broadly so that it includes all productivity-enhancing expenditures. (Haryanto and ali, 2007) By adding infrastructure and improving existing infrastructure by local governments, it is

hoped that this will spur regional economic growth.

Definition of Shopping for Goods and Services.

Expenditure on goods and services is expenditure for the procurement of goods within the government environment whose useful value is less than one year in the accounting period or the use of services is properly met, so government employees will be able to maximize public services (Pangestu, 2018).

Expenditure on goods and services is used by the government as a supporter of the smooth running of tasks in providing services to the community so that the higher the realization of spending on goods and services by the regional government will increase the economic activity of the region which will ultimately affect the level of economic growth (Gosal et al., 2022).

Shopping for goods can be grouped into 3 categories of shopping, namely:

1. Expenditures for the procurement of goods and services, namely the procurement of goods that do not meet the capitalization value in the financial statements are categorized into expenditures for operational goods and expenditures for non-operational goods.
2. Maintenance expenditure, which is spent and does not add to or extend the useful life or most likely does not provide future economic benefits in the form of capacity, production quality, or improvement of performance standards is still categorized as maintenance expenditure in the financial statements.
3. Travel expenditure, namely travel expenditure incurred not for the purpose of acquiring fixed assets.

Previous Research: From previous research by (Istianto et al., 2021), capital expenditure has a positive and significant influence on the economic growth of 5 (five) Regencies/cities in Bolang Mongondow Raya. (Pusporini, 2020), that

spending on goods and services has a positive effect on economic growth, while capital expenditure does not have a positive effect on economic growth in Central Java Province. Based on the background of the above description, the authors are interested in researching "The Influence of Capital Expenditures and Expenditure on Goods and Services on Economic Growth".

(Parnawati's, 2010) concluded that an increase in capital expenditure can increase GRDP, but an increase in GRDP does not affect an increase in capital expenditure. In contrast, (Waryanto, 2017) concluded that city/district government capital spending did not have a significant effect on GRDP growth. The results of this study are consistent with research by (Setiyawati and Hamzah, 2007) which states that development spending has no significant effect on economic growth.

Hypothesis

H1: Capital Expenditure has a positive and significant effect on Economic Growth in South Sulawesi Province.

H2: Goods and Services Expenditures have a positive and significant effect on Economic Growth in the South Sulawesi Provision.

II. RESEARCH METHOD

Population and Sample

The population in this study are Capital Expenditures, Expenditures for Goods and Services and Economic Growth in South Sulawesi Province which are registered or obtained on the Website of the Directorate General of Fiscal Balance of the Ministry of Finance (DPJK) and the Central Bureau of Statistics, especially in the area of South Sulawesi Province which consists of 24 regencies and City. The sample used, the researchers determined data on Capital Expenditure, Expenditure on Goods and Services and data on Economic Growth for the Province of South Sulawesi for the last

three (3) years, namely data from 2019 - 2021. Research Approach. This type of research uses a type of Quantitative Research where Quantitative Research is a series of measurements that can be expressed in numbers or quantitative data is expressed. This research was conducted to determine the impact or influence caused by Capital Expenditures and Goods and Services Expenditures on Economic Growth.

Dependent Variable:

The dependent variable or dependent variable (Y) is a variable that is affected or becomes a result because of the independent variable. The dependent variable in the research is Economic Growth in South Sulawesi Province.

Independent Variable:

Independent Variable: The independent variable or commonly called the independent variable (X) is a variable that influences or causes changes in the dependent variable. There are two independent variables in this study, namely 1 (X1) is Capital Expenditure and 2 (X2) is Goods and Services Expenditures.

Data and Data Sources

The data object used in this study uses secondary data with the type of time series data for 2019-2021. The data sources were

obtained from the Website of the Directorate General of Fiscal Balance of the Ministry of Finance (DJPk) and the Central Statistics Agency (BPS), especially the South Sulawesi Province area which consists of 24 Regencies and from several other sources related to data related to providing information related to Economic Growth Data, Capital Expenditure, Goods and Services Expenditure. related to the time taken in three years 2019-2021 because it meets the criteria as a sample that meets the data completeness requirements needed in this study.

III. RESULT AND DISCUSSION

Data analysis method

This study uses Time Series data. Where the data used in econometrics is often not stationary which is one of the causes of the estimation results in the regression model to be dubious or called presumptuous regression. In econometrics there is a method to overcome this problem, namely by using the Error Correction Model (ECM). Based on these reasons, this study uses a model (ECM). ECM testing can be done if there is a long-term relationship using the cointegration test, a variable can be declared cointegrated if it is stationary at the same order or level.

Research Result

Correlation Coefficient Table

Table 1. Correlation result

Variables	Capital Expenditures	Shopping for Goods and Services	GRDP
Capital Expenditures	1.000	0,475	0,312
Shopping for Goods and	0.475	1.000	0,596

Services			
GRDP	0.312	0.596	1.000

Source: processed by researchers (2023)

Based on the research results in the coefficient table above, Capital Expenditure correlates with Goods and Services Expenditures with a coefficient of

0.475 and correlates with GRDP with a coefficient of 0.312. Expenditure on goods and services correlates with GRDP with a coefficient of 0.596.

Table 2. ADF unit-root test

Variables	Level			1 st level		
	ADF	Critical Value (5%)	Prob.* (Sig 0.05)	ADF	Critical Value (5%)	Prob.* (Sig 0.05)
BM	-7.442966	-2.902953	0.0000	-7.615244	-2.906210	0.0000
BJM	-6.870557	-2.902953	0.0000	-8.889832	-2.904848	0.0000
GRDP	-2.217245	-2.910860	0.2025	-3.918533	-2.910860	0.0034

Source: processed by researchers (2023)

Based on the research results in the coefficient table above, Capital Expenditure correlates with Goods and Services Expenditures with a coefficient of 0.475 and correlates with GRDP with a coefficient of 0.312. Expenditure on goods and services correlates with GRDP with a coefficient of 0.596. Based on the results of the research on the coefficient table above, Capital Expenditure correlates with Goods and Services Expenditures with a coefficient of 0.475 and correlates with GRDP with a coefficient of 0.312. Expenditure on goods and services correlates with GRDP with a coefficient of 0.596.

Directors' education can provide a broader view and superior pattern of thinking and, thus, understanding of the wider interests of various stakeholders is more likely to increase. The measurement index is the number of directors who hold a title with a value of 1 and those who do not have a value of 0.

In the ADF table:

The BM variable has an absolute value of the Augmented Dickey-Fuller (ADF) test of 7.442966 > a critical value of 5%,

namely 2.902953 with a probability of 0.0000 < cut off value of 0.05, it can be concluded that the BM data is stationary at the Levels. Likewise at the 1stLevel, the absolute value of the ADF is 7.615244 > a critical value of 5%, namely 2.906210 with a probability of 0.0000 <0.05, it can be concluded that the BM data is stationary. The BJM variable has an absolute value of the ADF test of 6.870557 > a critical value of 5%, namely 2.902953 with a probability of 0.0000 < cut off value of 0.05, it can be concluded that the BJM data is stationary at the Level level. Likewise, at the 1st Level, the absolute value of ADF is 8.889832 > a critical value of 5%, namely 2.904848 with a probability of 0.0000 < cut off value of 0.05, it can be concluded that BJM data is stationary. The GRDP variable has an absolute ADF test value of 2.217245 <5% critical value, namely 2.910860 with a probability of 0.2025 > cut off value, so it can be concluded that GRDP data is not stationary at the Level level. However, at the 1st Level, the absolute value of ADF is 3.918533 > a critical value of 5%, namely 2.910860 with a probability of 0.0034 < cut off value of 0.05, so it can be

concluded that the PDRB data is stationary.

Granger Causality Test

Granger causality test is an analytical method to find out the relationship where on the one hand a dependent variable (non-free variable) can be influenced by another variable (independent variable) and on the other hand the independent variable can occupy the position of the dependent variable. Such a relationship is often

referred to as a causal relationship. The model formulation is as follows:

From the results of my research, the higher the value of the amount of capital spending on the government, the lower/decreased economic growth, as well as spending on goods and services, the higher spending on goods and services, the lower the economic growth and has no significant effect. this contradicts previous research in theory (Gosal et al., 2022).

Table 3. Granger Causality Tests

Null Hypothesis:	Obs	F-Statistic	Prob.
BM does not Granger Cause BJB BJB does not Granger Cause BM	70	0.55597 0.42045	0.5762 0.6585
PDRB does not Granger Cause BJB BJB does not Granger Cause PDRB	70	0.15905 1.38788	0.8533 0.2569
PDRB does not Granger Cause BM BM does not Granger Cause PDRB	70	0.32108 0.92955	0.7265 0.3999

Source: Processed by researchers (2023)

From the Granger Casuality Test Table, BM has no significant effect on BJB, this can be seen from the calculated F value of 0.55597 < F Table 2.76 with a probability value of 0.5762 > cut off value of 0.05, so it can be concluded that BM does not cause BJB. Likewise BJB does not have a significant effect on BM, this can be seen from the calculated F value of 0.42045 < F Table 2.76 with a probability value of 0.6585 > cut off value of 0.05, so it can be concluded that BJB does not cause BM.

GRDP has no significant effect on BJB, this can be seen from the calculated F value of 0.15905 < F Table 2.76 with a probability value of 0.8533 > cut off value of 0.05, so it can be concluded that GRDP does not cause BJB. Likewise BJB does not have a significant effect on GRDP, this can be seen from the calculated F value of 1.38788 < F Table 2.76 with a probability value of 0.2569 > cut off value of 0.05, so

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it can be concluded that BJB does not cause GRDP.

GRDP has no significant effect on BM, this can be seen from the calculated F value of 0.32108 < F Table 2.76 with a probability value of 0.7265 > cut off value of 0.05, so it can be concluded that GRDP does not cause BM. Similarly, BM does not have a significant effect on GRDP, this can be seen from the calculated F value of 0.92955 < F table 2.76 with a probability value of 0.3999 > cut off value of 0.05, so it can be concluded that BM does not cause GRDP.

III. RESULTS AND DISCUSSION

Effect of Capital Expenditure Variables on Economic Growth

The results of the study above Capital Expenditures do not have a significant effect on GRDP, this can be seen from the calculated F value of 0.92955 < from F

table 2.76, with a probability value of 0.3999 greater than the Cut Of Value of 0.05, so H1 is rejected and it can be stated that Capital Expenditure has no effect on economic growth (GRDP). The results of this study are not in accordance with the following statements or theories from experts which state that: the development of facilities and infrastructure by local governments has a positive effect on economic growth, (Kuncoro, 2004). The fundamental requirement for economic development is the level of procurement of development capital that is balanced with population growth. Such capital formation should be defined broadly so that it includes all productivity-enhancing expenditures. (Harianto and Adi, 2007). By adding infrastructure and improving existing infrastructure by local governments, it is hoped that this will spur regional economic growth. While the results of this study are in line with research conducted by (Pusporini, 2020), which says that capital expenditure has no effect on economic growth in Central Java Province. (Waryanto, 2017), concluded that city/district government capital spending did not have a significant effect on GRDP growth. The results of this study are consistent with research by (Setiyawati and Hamzah, 2007) which states that development spending has no significant effect on economic growth.

Effect of Goods and Services on Economic Growth.

The results of the above research variable Expenditures for goods and services have no effect and are not significant on GRDP, this can be seen from the calculated F value of $1.38788 < F$ Table 2.76 with a probability value of $0.2569 >$ cut off value

of 0.05, so H2 is rejected and it can be stated that Goods and Services Expenditure (BJB) has no positive and significant effect on the Economic Growth (GRDP) variable in South Sulawesi Province. The results of this study are not in accordance with the theory put forward by (Gosal et al., 2022), which states that spending on goods and services is used by the government as a supporter of the smooth running of tasks in providing services to the community so that the higher the realization of spending on goods and services by the regional government will increase the regional economic activity which in turn will ultimately affect the rate of economic growth. While the results of this study are in line with research conducted by (Waryanto, 2017) which concluded that city/district government capital spending did not have a significant effect on GRDP growth.

Expenditures for Goods and Services have no effect on Economic Growth in South Sulawesi, it can Based on the results of the two studies mentioned above which are basically not in accordance with the theories or statements from experts and are supported by the results of previous studies, that Capital Expenditures be said that for Capital Expenditures has not yet played a role in supporting economic growth, in fact it appears that the existing infrastructure and infrastructure improvements in South Sulawesi Province are still far from adequate so that they have not been able to significantly support economic growth. The roads are still narrow and have potholes, prone to landslides due to rain and flooding, the train as the main support for the transportation of goods & people has not

yet crossed the Trans Sulawesi route, aircraft are also still very limited.

Likewise, spending on goods and services has not made a real contribution to economic growth in South Sulawesi, a major challenge faced nationally, which has always been a problem is delays in spending. "The big challenge that we have to answer is ensuring the timing of the process of procuring goods and services, which in fact often experiences delays, which should be as early as possible, January must start spending because this concerns economic growth." Said President Joko Widodo at the 2019 National Coordination Meeting for Procurement of Goods and Services at the Plenary Hall of the Jakarta Convention Center.

From the two results of the research above, it can be known and confirmed and stated that Capital Expenditures and Goods and Services Expenditure have not played a role in economic growth in South Sulawesi Province so far, so it may be that economic growth in South Sulawesi so far has been caused by other factors. Not examined in this study, namely from the 3 main aspects of economic growth according to experts, namely capital, population growth and technology, the economic growth achieved by South Sulawesi Province so far has grown due to high population mobility/growth, or because technological advances are so rapid, especially advances in digitalization technology.

Findings from the results of this study: Economic growth in South Sulawesi Province is not due to Capital Expenditures and not because of Goods and Services Expenditure but instead grows due to other factors, either due to

high population growth or due to rapid technological developments, especially digitalization technology. So that further research is needed.

IV. CONCLUSION

According to the results of the research previously described, it can be concluded as follows: Capital Expenditure (BM) does not have a positive and significant effect on Economic Growth (GDP) in South Sulawesi Province, this is because the results of the research mentioned above are basically inconsistent with the theory or statements from experts and supported by the results of previous studies, that capital expenditures and goods and services expenditures have no effect on economic growth in South Sulawesi, it can be said that capital expenditures have not played a role in supporting economic growth, in fact it can be seen that infrastructure and improvements The existing infrastructure in South Sulawesi Province is still far from adequate so that it cannot actually sustain economic growth. The roads are still narrow and have potholes, prone to landslides due to rain and flooding, the train as the main support for the transportation of goods & people has not yet crossed the Trans Sulawesi route, aircraft are also still very limited.

Likewise, spending on goods and services has not made a real contribution to economic growth in South Sulawesi, a major challenge faced nationally, which is always a problem is delays in spending. Goods and services spending (BJB) does not have a positive and significant effect on economic growth. in South Sulawesi Province.

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