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## **Economic Growth: The Impact of Regional Original Income, Capital Expenditures and Export**

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### **Abstract**

The purpose of this study is to ascertain the economic impact of regional original income, capital expenditure funds, and exports. The research hypothesis is based on a theory/concept that has been validated in prior investigations using the same variables. This study took place in West Sulawesi Province. Secondary data is what is being used. They analyze data utilizing descriptive statistical techniques and panel data regression with the assistance of SPSS 25. The study's findings indicated that while regional original income had a positive and statistically significant effect on economic growth, capital expenditures had no effect. Exports have no impact on economic growth.



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## **1 Introduction**

National development is a measure of the welfare and prosperity of the people of a country (Ali, 2009; Qkhadafi et al., 2020). The increasing level of development of a country is an indication that the country is progressing and developing (Muhammad, 2017). The context of national development is one aspect that is included in macroeconomic theory. The high and low rate of development is seen from the trend of economic growth every year. Economic growth includes all activities of producing goods and services in a certain period and determines the national income and the welfare of its people (Baer, 1964) (Putro, 2010). Development cannot stop or be stopped because human life is always filled with an atmosphere of change. The essence of development changes the physical or material structure and involves changes in people's attitudes (Chun-Chien & Chih-Hai, 2008). Development must bring humanity beyond prioritizing the material aspects of everyday life (Kaldor, 1957). Development is an effort to advance or improve and increase the value of something existing (Lewis, 2013). Changes usually follow economic development in the structure of demand for goods and

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services, which then causes changes in the structure of production (Chen & Xiong, 2014). If traced, this structural change is caused by two aspects, namely capital accumulation and changes in public consumption patterns (Acemoglu, 2012).

In the context of development, regions with new autonomy, the government, and all levels of society already have a solid commitment to development (Sahoo & Dash, 2012). This study was conducted in the Province of West Sulawesi. Since it was formed in 2004 until now, West Sulawesi already has six regencies. Central Mamuju is the youngest district resulting from the division of Mamuju Regency. The Gross Regional Domestic Product (GRDP) data series is one of the tools to measure the success of development from time to time. GRDP data can be used as a basis for determining economic growth targets and as material for evaluating the success of development that has been carried out. Measurement with GRDP data can describe the contribution and growth of each business field in building the economy. The achievement of high economic growth indicates the development of economic activity (Caves et al., 1980). However, this achievement is certainly not limited to achievements. However, this high level of economic growth can reflect the achievement of the level of community welfare, such as the availability of employment opportunities and so on.

**Table 1. GRDP Constant Price-West Sulawesi Business Field 2010-2019**

Year	PDRB (Billion Rupiah)
2010	17.183.831,83
2011	19.027.504,49
2012	20.786.885,76
2013	22.227.392,55
2014	24.195.655,00
2015	25.964.432,14
2016	27.524.767,06
2017	29.282.487,06
2018	31.111.346,93
2019	32.873.531,52

**Table 2. Realization of Locally-generated revenue of West Sulawesi Province in 2010-2019**

Year	Locally-Generated Revenue (Billion Rupiah)
2010	90.207.000,00
2011	114.311.000,00
2012	140.396.940,00
2013	154.131.860,00
2014	223.704.907,22
2015	239.795.819,00
2016	277.686.126,00
2017	296.935.168,00
2018	301.499.588,00
2019	345.208.054,00

Table 1 explains that in 2010-2019, economic growth in West Sulawesi based on the 2010 constant prices has increased every year. In 2010, the lowest GRDP of 17,183,831.83 billion rupiahs, and in 2019 was the highest GRDP of 32,873,531.52 billion rupiahs. The realization of regional autonomy launched by the center seeks to maximize the potential of all regions and maximize economic growth and development in the region concerned, minimize inequalities between regions, and achieve maximum quality of public services (Andirfa, 2009). Law Number 32 of 2004 concerning regional autonomy delegates the authority of power to the regions to regulate and manage their respective households, including optimal development, maximizing economic growth, and community welfare, especially in the social and economic fields. Law Number 33 of 2004

concerning the financial balance between the Central Government and Regional Governments and Law Number 32 of 2004 concerning Regional Government indicate that regions are given the authority to manage their households, including financial matters. Regional Original Income (PAD) can be used to measure the independence of a region in financing the development of the region itself. Regional revenues from PAD are expected to increase investment in local government capital expenditures and financing routine expenditures, increasing the quality of public services.

Table 2 explains that, During the 2010-2019 period, the realization of PAD by local governments in West Sulawesi increased from year to year. The year 2010 was the lowest realization of PAD which reached 90,207,000.00 billion rupiahs, and in 2019, it reached 345,208,054.00 billion rupiahs, which is the highest PAD in the 2010-2019 period. The allocation of funds in the form of capital expenditures by the government is expected to increase PAD. Capital expenditures are local government expenditures that will increase regional assets or wealth; capital expenditures are one way to realize the goals of regional autonomy, namely increasing community welfare and improving services to the community by providing supporting facilities for public services. Increasing the allocation of capital expenditures in fixed assets such as infrastructure and equipment is very important to support economic productivity. If capital expenditures are high, the economy's productivity will increase (Radelet & Sachs, 1998). The government's task to increase economic growth is to spend government spending effectively to support economic activities such as building public infrastructure and allocating government spending to increase regional income (Utami & Indrajaya, 2019). Capital expenditure should be used for productive things such as to carry out development activities. The quality infrastructure then productivity will also increase. Increased capital expenditure is expected to improve the quality of public services because increased regional fixed assets are a prerequisite in providing public services to the community due to capital expenditure (Nowak et al., 2007).

**Table 3. Realization of Capital Expenditure of West Sulawesi Province in 2010-2019 (Billion Rupiah)**

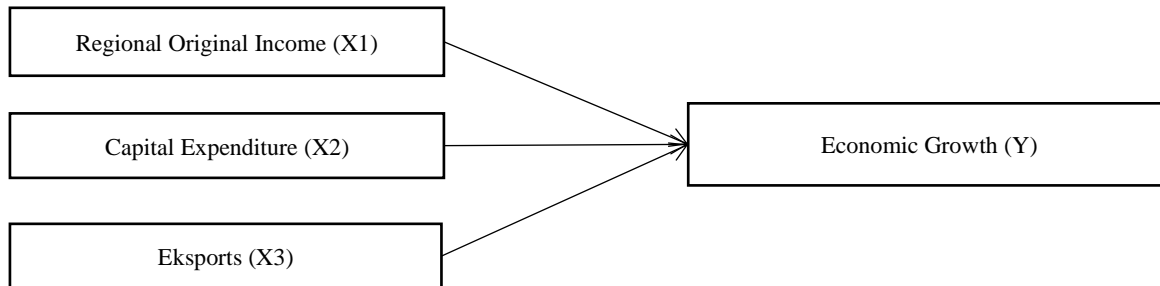
Year	Capital Expenditure (Billion Rupiah)
2010	205.063.000,00
2011	230.692.000,00
2012	135.387.012,00
2013	183.451.336,00
2014	267.018.262,35
2015	443.409.747,00
2016	498.735.453,00
2017	459.836.460,00
2018	321.974.753,00
2019	364.249.411,00

Table 3 explains that the realization of capital expenditure for West Sulawesi Province during the 2010-2019 period shows a fluctuating trend. In 2010 the realization of capital expenditure amounted to 205,063,000.00 billion rupiahs, then decreased in 2012, which only reached 135,387,012.00 billion rupiahs and was the lowest realization of capital expenditure. Meanwhile, in 2016 it reached 498,735,453.00 billion rupiahs, which was the realization of capital expenditure during the 2010-2019 period. The economic structure of West Sulawesi leads to the trade and service sector. One sector that can make a significant contribution to the economic growth of West Sulawesi is an increase in the trade sector, especially exports. Exports have a positive relationship with economic growth, meaning that when exports increase, economic growth also increases, and vice versa; if exports decline economic growth decreases. Exports are one of the sources of foreign exchange that are urgently needed by countries or regions whose economies are open, such as in Indonesia, because extensive exports to various countries allow an increase in the amount of production that encourages economic growth so that it is expected to contribute significantly to economic growth and stability.

**Table 4. Foreign Export Value of West Sulawesi Province 2010-2019 (Billion Rupiah)**

Year	Goods (Rp)	Service (Rp)	Total (Rp)
2010	145 667,17	14 526,74	160.193,91
2011	11 500,56	17 382,65	28.883,21
2012	-	17 719,24	17.719,24
2013	-	17 432,70	17.432,70
2014	2 517 187,72	15 595,97	2.532.783,69
2015	3 683 014,63	16 195,19	3.699.209,82
2016	3 679 065,61	17 488,47	3.696.554,08
2017	3 800 660,92	19 139,62	3.819.800,54
2018	5 795 568,99	19 133,08	5.814.702,07
2019	6 798 880,85	21 666,83	6.820.547,68

Table 4 explains that, in 2019, the value of the export component of West Sulawesi goods and services both abroad was 26,607,826.94 billion rupiahs. In 2010 the total export value of 160,193.91 million rupiahs decreased until 2013, reaching 17,432.70 million rupiahs. However, in 2014 it again increased by 2,532,783.69 billion rupiahs to 6,820,547.68 billion rupiahs in 2019 and was the highest export value of West Sulawesi Province in the 2010-2019 period.

**Figure 1. Research Model**

- H1:** Regional Original Income has a positive and significant impact on the economic growth  
**H2:** Capital Expenditure has a positive and significant impact on the economic  
**H3:** Exports have a positive and significant impact on the economic growth

## 2 Research Method

The analysis used in this research is descriptive quantitative. The analysis was conducted to obtain an overview of the influence of PAD, capital expenditures, and related exports on the economic growth of West Sulawesi Province. Quantitative analysis was carried out using secondary data and processed using the Ordinary Least Square (OLS) method as the primary research method. This study uses secondary data collected from local government documents at BPS West Sulawesi in quantitative data. Researchers use secondary data to collect data and information. The secondary data in this study was obtained from the BPS of West Sulawesi province regarding the report on the realization of the regional and export expenditure budget and the GRDP at constant prices. The data used in the form of time-series data from the Province of West Sulawesi in 2010-2019 and external ones obtained through published sources from outside agencies such as journals, articles, libraries. The data of this study were obtained in the form of data published by the BPS of West Sulawesi Province. To support and strengthen research, the documentation method is supported by sources of information through literature review and various sources, such as books containing a variety of much-needed theoretical

studies, magazines, manuscripts, historical stories, and documents. The samples used in this study include a) The data taken is a report on the realization of the regional capital expenditure budget and total export growth and GRDP based on 2010 constant prices of West Sulawesi Province. b) The data taken is ten years from 2009-2019. The analytical method used to solve the problems in this study is multiple linear regression analysis with the help of the SPSS version 25 program. The data used in this analysis is time-series data with the model formulation as following:

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$$

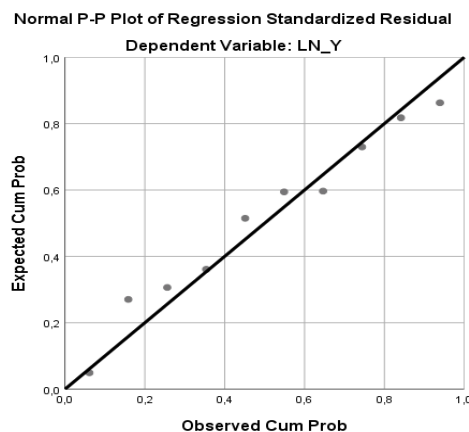
Description:

Y = Economic Growth  
 $\alpha$  = Constant  
 X1 = Regional Original Income  
 X2 = Capital Expenditures  
 X3 = Exports  
 $\beta_1$ -  $\beta_3$  = Regression coefficient  
 e = error

### 3 Result and Discussion

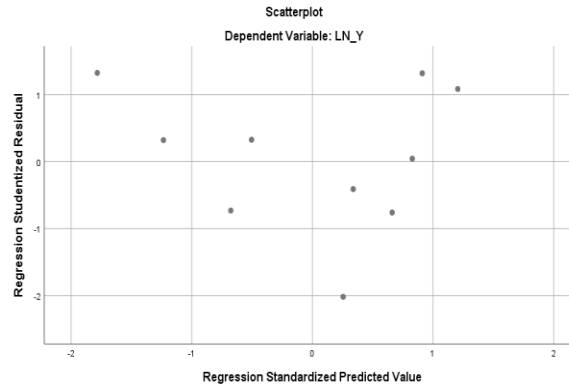
#### Result

The normality test was carried out to see whether in the regression model the dependent variable and the independent variable both had a normal distribution or not (Sugiyono, 2010). A good regression model is a regression model that is usually distributed. Based on the scatterplots output in Figure 2, it is known that the points or data are near or following the diagonal line, so it can be concluded that the residual value is usually distributed.



**Figure 2. Normality Test Results**

Furthermore, a heteroscedasticity test was carried out using the chart method or Scatter-plot diagram. The basis of the decision is that if there is a particular regular pattern (wavy, widen, then narrow), heteroscedasticity occurs and vice versa.



**Figure 3. Scatterplot Diagram**

In Figure 3, it can be seen that the data are randomly distributed and do not form a specific pattern; this indicates that there is no heteroscedasticity. Thus, there is a difference in the invariance of the residuals from one observation to another. Furthermore, a multicollinearity test was conducted to determine whether there was multicollinearity in the regression model. To detect the presence or absence of multicollinearity by looking at the Variance Inflation Factor (VIF). VIF is less than ten; then, there is no multicollinearity in the regression model.

**Table 5. Multicollinearity Test**

Variabel	VIF
LN_X1	3,561
LN_X2	4,113
LN_X3	5,986

Based on table 5, it can be seen that the VIF value for all independent variables is not more than ten and the tolerance value for all variables is also  $> 0.10$ . So it can be concluded that all independent variables have no symptoms of multicollinearity. Furthermore, the autocorrelation test aims to examine whether a linear regression model correlates with the confounding error in period  $t$  and the error in the previous period  $(t-1)$ . If there is a correlation, it is called autocorrelation disease. Of course, a good regression model is a regression that is free from autocorrelation. To detect the presence of autocorrelation, namely by using the Durbin Watson (DW) test or Run Test. The method most often used is DW; however, the DW test has a weakness, namely if the DW value lies between  $dL$  and  $dU$  or between  $(4-dU)$  and  $(4-dL)$ , it does not produce definite conclusions. If this is the case, an excellent alternative to overcome this problem is to use the run test method.

**Table 6. Runs Test**

	Unstandardized Residual
Test Value <sup>a</sup>	,00559
Cases < Test Value	5
Cases $\geq$ Test Value	5
Total Cases	10
Number of Runs	5
Z	-,335
Asymp. Sig. (2-tailed)	,737
a. Median	

Table 6 shows that the Asymp. Sig. (2-tailed) 0.737 ie > 0.05. Based on these results, it can be concluded that there are no symptoms of autocorrelation. Furthermore, based on data processing multiple linear regression analysis with the help of the SPSS 25 program, the results obtained as shown in table 7:

**Table 7. Multiple Linear Regression Model**

Model		Coefficients <sup>a</sup>						
		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	8,211	1,367		6,006	,001		
	LN_X1	,494	,055	1,056	8,906	,000	,281	3,561
	LN_X2	-,031	,063	-,063	-,492	,640	,243	4,113
	LN_X3	-,002	,013	-,025	-,163	,876	,167	5,986

a. Dependent Variable: LN\_Y

Based on the results of multiple linear regression in table 7, the following regression equation is obtained:

$$Y = 8.211 + 0.494 X1 - 0.031 X2 - 0.002X3$$

From the obtained equation, it can be explained that the constant value of 8.211 indicates that the PAD (X1), Capital Expenditure (X2), and Export (X3) variables if the value is 0, then economic growth is 8.211. The PAD coefficient value is 0.494 with a positive value. This means that for every 1-time increase in PAD, economic growth will increase by 0.494, assuming that the other variables are constant. 3) Capital Expenditure coefficient value is -0.031 with a negative value. This means that for every 1x increase in Capital Expenditure, economic growth will decrease by -0.031, assuming that the other variables are constant. 4) Export coefficient value is -0.002 with a negative value. This means that for every 1-time increase in exports, economic growth will decrease by -0.002, assuming the other variables are constant. Furthermore, the t-statistical test in this study can be seen in the probability value of the t-statistic. A statistical t-test was conducted to show how far the dependent variable is on the independent variable. If the probability value of t-statistic is greater than the significance level = 0.05 or 5%, then partially, the independent variable has no significant effect on the dependent variable.

**Table 8. Partial Test**

Model	t	Sig.
(Constant)	6,006	,001
LN_X1	8,906	,000
LN_X2	-,492	,640
LN_X3	-,163	,876

As shown in table 8, it can be seen that the first hypothesis proposed, namely the Regional Original Income (PAD) variable, has a partial effect on economic growth. The regression analysis results show that the PAD variable has an at-count value of 8.906, which is greater than the t-table of 1.943, and a significant value of 0.000 is obtained, which is smaller than a significant level of 0.05. Therefore it can be concluded that the first hypothesis is accepted. Furthermore, for the second hypothesis, the Capital Expenditure variable has an at-count value of -0.492, smaller than the t-table of 1.943. A significant value of 0.640 is obtained, which is greater than that a significant level of 0.05. Therefore, it can be concluded that Capital Expenditure has no partial effect on economic growth, so the hypothesis is rejected. 3) The third hypothesis explains that exports have no partial effect on economic growth. Exports have a t-count value of -0.163, which is smaller than the at-table of 1.943, and a significant value of 0.876 is obtained, which is greater than a significant level of 0.05. So it can be concluded that the hypothesis is rejected. Furthermore, the Coefficient of Determination is used to determine how much the ability of the model in the study to explain the dependent variable. The coefficient of determination can be seen at 9:



**Table 9. Results of the Coefficient of Determination**

Model Summary <sup>b</sup>				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	,988a	,976	,964	,04065
a. Predictors: (Constant), LN_X3, LN_X1, LN_X2				
b. Dependent Variable: LN_Y				

In table 9, it is known that the adjusted R<sup>2</sup> value is 0.964 or 96.4 percent. This shows that economic growth can be explained by 96.4 percent by the independent variables, namely PAD, capital expenditures, and exports. Meanwhile, 3.6 percent of the variation in economic growth can be explained by variables outside the independent variables of this study. Furthermore, Simultaneous Test shows whether all independent or independent variables included in the model have a joint influence on the dependent/dependent variable. The F test measures the ability of the independent variables to explain the variation of the dependent variable.

**Table 10. Simultaneous Test Results**

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	,409	3	,136	82,437	,000 <sup>b</sup>
	Residual	,010	6	,002		
	Total	,419	9			
a. Dependent Variable: LN_Y						
b. Predictors: (Constant), LN_X3, LN_X1, LN_X2						

Based on the SPSS output in table 10, it is known that the F-count 82,437 is greater than the F-table 4.76 and obtains a significant value of 0.000, which is smaller than the significant level of 0.05, it can be concluded that the independent variable has a significant simultaneous effect on the dependent variable (the hypothesis is accepted).

## Discussion

### Regional Original Income on Economic Growth of West Sulawesi Province

Regional Original Revenue (PAD) is measured by comparing the realization of PAD with the total realized revenue. Statistically, this study shows that the proposed hypothesis is accepted. Partially PAD has a significant effect on economic growth. These results indicate that if PAD increases, economic growth will also increase. This is because the realization of PAD has increased every year. However, the PAD of West Sulawesi Province is still relatively small compared to other types of regional income. Therefore, the local government needs to take advantage of regional potentials in increasing local taxes, regional levies, regionally-owned companies, and other legitimate income as a PAD source to increase the economic growth of West Sulawesi Province. With the increase in PAD which is proxied as capital accumulation, it means that this is also in line with the theory of endogenous economic growth, which states that to increase economic growth seen from the value of GRDP, production factors are prioritized from endogenous or within the region itself, so it can be concluded that PAD consists of Among other things, local taxes and levies as regional revenues are very dependent on the intensity of economic activities carried out by local governments.

### Capital Expenditure on Economic Growth of West Sulawesi Province

Research capital expenditure in this study is measured by comparing the realization of capital expenditure and the total realization of regional expenditure. Statistically, this study shows that the proposed hypothesis is rejected. These results indicate that capital expenditures have no significant partial effect on economic growth. This condition shows that capital expenditure is not productive in increasing regional income to support economic growth. Capital expenditure is one way to realize regional economic goals that improve welfare and services to the community; this concludes that capital expenditure is significant because it helps realize



community welfare. Capital expenditure differs from other expenditures in terms of decision-making (Nowak et al., 2007). The capital expenditure budget generally comes from grants and capital expenditure budgets for several financial periods or years (Radelet & Sachs, 1998). Therefore, local governments need to manage and increase capital expenditure funds for infrastructure and equipment as a form of regional assets that can improve welfare and services to the community to support the regional economy.

#### Exports on Economic Growth in West Sulawesi Province

Exports in this study are measured by the total net exports of foreign goods and services. Statistically, this study shows that the proposed hypothesis is rejected. The results of this study indicate that exports have no significant partial effect on economic growth. This is because the number of net exports abroad is relatively small. This condition is due to inadequate infrastructure in distributing goods abroad so that there are still many products that must go through the gates of Makassar City, South Sulawesi Province. This has become an inhibiting factor for more productive export commodities contributing to economic growth (Caves et al., 1980). Therefore, the local government needs to provide adequate facilities and infrastructure to carry out export and import activities in West Sulawesi Province. In addition, local governments also need to pay attention to the potential of export commodities other than the agricultural sector, namely coffee, cocoa, and palm oil as the most significant commodities, so that export growth is not only influenced by one sector, but other commodities can also make a significant contribution to export growth.

## 4 Conclusions

Based on the results of the analysis that has been carried out regarding the effect of PAD, capital expenditure, and exports on economic growth for the 2010-2019 period, the following conclusions are drawn as PAD has a significant partial effect on economic growth in West Sulawesi Province. Capital expenditure does not have a significant effect partially on the economic growth of West Sulawesi Province. Exports have no partial significant effect on the economic growth of West Sulawesi Province.

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