

## Analysis Effect of Household Consumption, Private Investment and Regional Expenditures against Employment Opportunity and Economy Growth Regencies/Cities in Bali Province

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**ABSTRACT :** This study aims to analyze the effect of household consumption, private investment and regional expenditures on employment opportunities and regencies/city economic growth in the Province of Bali. The research data uses panel data, which is a combination of 9 regencies/cities and 10 years of observations so that 90 observations are obtained. Data sourced from BPS Bali Province and analyzed using path regression analysis techniques. The results of the analysis found that there was a significant positive influence between household consumption, private investment, and regional expenditures on employment opportunities. There is a significant positive influence between the variables of household consumption, private investment, regional expenditures and employment opportunities on economic growth. Employment opportunities are able to mediate the influence of household consumption, private investment, and regional expenditures on the economic growth of regencies/cities in Bali Province.

**KEYWORDS :** Household consumption, private investment, regional expenditures, employment opportunities, economic growth.

### I. INTRODUCTION

People's prosperity can be achieved through high economic growth (Yudisthira, 2013). Economic growth describes how much economic activity (through the use of production factors) can increase people's income within a certain period of time (Sujana, 2008). Economic growth has experienced a sharp decline since the entry of the Covid-19 virus until it spread to become a pandemic. One of the areas that experienced quite a severe impact was the Province of Bali. The pandemic not only attacks health but also reduces people's economic activities. To sustain economic growth can be done through public consumption or household consumption. Household consumption contributed 47.84 percent to 53.50 percent in the last 5 years (Danawati, 2016). Consumption activities will increase demand for goods and services thereby helping to absorb labor which then impacts GDP. According to Lin, (1994), the government plays an important role in increasing economic growth through fiscal-monetary policies or other policies that have an impact on the national economy (Sucitrawati, 2012). In addition, the government can maximize government expenditures, especially local governments so that it can encourage economic growth (Kusuma, 2016). Government expenditures for public needs such as education and investment capital as growth stimulants (Butkiewicz&Yanikkaya, 2011).

Regional economic growth can also be supported by employment as development actors (Hukum, 2014). The large population is in line with the increase in labor in the job market so that regional production capacity also increases. However, if a large population is not accompanied by an increase in employment opportunities, it will actually trigger an increase in unemployment (Seran, 2017). According to BPS Bali Province data, the number of available workforce in 2018 reached 2,525,355 people but the workforce absorbed was 2,490,870 people, lower than the available workforce. The Bali Province Open Unemployment Rate (TPT) in 2020 experienced a significant increase as a result of the Covid-19 pandemic. The pandemic has limited community activities and hampered mobility in the tourism sector as a support for the Bali economy so that economic growth in Bali has declined. The weakening of the economy led to layoffs in various industries which triggered an increase in unemployment in Bali.

From 2015 to 2020 the average economic growth for the Province of Bali will reach 3.42 percent, which is higher than the national economic growth of 3.07 percent. The high level of economic growth is a measure of regional prosperity. Of the nine regencies/cities in Bali Province, Badung Regency has the highest average growth, followed by Denpasar City and Gianyar Regency. Adipuryanti&Sudibia (2015) argue that differences in economic growth between regions will lead to inequality in income distribution. Until now, inequality between regions has become a top priority in the policies and interests of the government and society (Irawan, 2015). Kadir et al (2016) stated that investment and consumption have a significant effect on

employment opportunities. Absorption of labor will reduce the unemployment rate and increase the economic growth of a region. However, Folster & Henrekson (1999) argues that the relationship between government expenditures and economic growth is negative, whereas Agell, et al (1999) finds an insignificant relationship.

## II. LITERATURE REVIEWS

### Economic growth

According to Sukirno (2008), economic growth is an economic activity that increases the production of goods and services. There are several things that can affect economic growth, including income, expenses, and financing. High economic growth will trigger enthusiastic economic activity and stimulate investment growth and high employment opportunities (Suarthadan Yasa, 2017). In Harrod-Domar's theory of economic growth, to refer to economic growth, new investment is needed to increase the capital stock. Meanwhile, Schumpeter's theory refers to the role of entrepreneurs in realizing economic growth (Sukirno, 2009). In the long term continuous technological progress will result in an increase in overall output and output per capita.

### Employment Opportunity

According to Esmar (1986: 134), employment opportunities can be interpreted as the number of people who have found work. The more regional development increases, the greater the employment opportunities owned by the region. High economic growth will be followed by an expansion of employment opportunities which will ultimately lead to an increase in people's income. These efforts can be realized through increasing economic growth, especially investment. Job opportunity is the demand for labor. The demand for labor is the relationship between the wage rate and the number of workers needed by the company (Wijanarko, 2016). The high demand for a product causes the price of the product to rise. This increase in price will not change the marginal product of labor for a given quantity of labour, but will increase the value of the marginal product. With high product prices, adding labor is profitable

### Household consumption

According to Mankiw (2014:9), consumption is household expenditures on goods and services. Keynesian consumption theory says that the size of consumption expenditures is only based on the size of the level of people's income. Keynes stated that there is a minimum consumption expenditure that must be made by society and consumption expenditure will increase with increasing income. Final goods and services in question are goods and services that are ready for consumption by consumers. These consumer goods consist of disposable consumer goods and consumer goods that can be used more than once.

### Private Investment

In Harrod-Domar Investment theory, investment is an important factor that determines economic growth. Increased investment activity can also increase infrastructure growth, so that people continue to increase economic activity and employment opportunities, increase national income and increase the level of community prosperity. According to Taufik (2015: 23), investments that have a multiplier effect have an impact on increasing welfare as measured by increasing income. This means that if income increases, the amount of goods consumed will also increase, so that it can be said that investment will encourage people's economic activities.

### Regional Expenditures

Regional expenditures is a government decision to provide public goods and services to the community. The bigger and more government activities, the greater the government expenditure concerned (Prasetya, 2012). According to Mankiw (2014: 11), government expenditures includes expenditures on goods and services made by the government. According to Adolf Wagner, government expenditures and government activity are increasing. Meanwhile, according to Prasetya (2012: 07), the government seeks to increase its expenditures by relying on local taxes. The increase in local tax revenues means that regional expenditure also increases.

### Research hypothesis

- 1) Household consumption, private investment and regional expenditures have a positive effect on employment opportunities in regencies/cities in the Province of Bali.
- 2) Household consumption, private investment, regional expenditures and employment opportunities have a positive effect on the economic growth of regencies/cities in the Province of Bali.
- 3) Household consumption, private investment and regional expenditures have an indirect effect on economic growth through employment opportunities for regencies/cities in Bali Province

## III. RESEARCH METHODS

The location of this research is in the regencies/cities of Bali Province which consist of Jembrana Regency, Tabanan Regency, Badung Regency, Gianyar Regency, Klungkung Regency, Bangli Regency, Karangasem Regency, Buleleng Regency and Denpasar City. The data used includes regencies/city regional data in Bali Province every year obtained from the publication of the Bali Province Central Statistics Agency from 2011 to 2019. The objects of this research are household consumption, private investment, regional expenditures, employment opportunity, and economic growth. This study uses panel data consisting of nine

regencies/cities in Bali Province from 2011 to 2020 (10 years). The total number of observations is 90 observations. Based on the data source in the form of secondary data, the appropriate data collection method used is the non-participant observation method. The collected research data will be analyzed using the path analysis method. The equation model used is as follows.

Structural equation I

$$Y_1 = \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e_1 \dots\dots\dots( 1 )$$

Structural equation II

$$Y_2 = \beta_4 X_1 + \beta_5 X_2 + \beta_6 X_3 + \beta_7 Y_1 + e_2 \dots\dots\dots( 2 )$$

**IV. RESEARCH RESULTS**

**Table 1. Path analysis test results ( Structure 1)  
Coefficient <sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	std. Error	Betas		
1	(Constant)	4,088	,731		5,595	,000
	Consumption	,342	.045	,552	7,636	,000
	Private Investment	.056	,019	,220	2,970	,004
	Regional Expenditure	, 117	,021	,368	5,678	,000

Variable Dependent : Opportunity Work

The results of the analysis of the effect of household consumption on employment opportunities obtained standardized coefficients beta of 0.552 and a significance value of 0.000 <0.050 indicating the hypothesis is accepted, which means that employment opportunities in regencies/cities in Bali Province are influenced by household consumption expenditures in each regencies/city in the Bali Province. Consumption theory states that if income increases then consumption will increase, conversely if income decreases then consumption will decrease. The increase in public consumption led to an increase in employment. The results of this study are also in line with research by Kadir et al (2016) proving that consumption has a significant effect on employment opportunities.

The results of the analysis of the effect of private investment on employment opportunities obtained standardized coefficients beta of 0.220 and a significance value of 0.004 <0.05, the hypothesis is accepted, which means that private investment has a positive and significant effect on employment opportunities. Harrod-Domar's investment theory (Mulyadi, 2002: 8) states that investment not only creates demand, but also increases production capacity, which will then require more manpower resulting in increased employment and is also associated with increased investment (Khan, 1931). Laila and Sri (2011) prove that private investment has a positive relationship to the level of employment.

The results of the analysis of the effect of local expenditures on employment opportunities obtained standardized coefficients beta of 0.368 and a significance value of 0.000 <0.05, the hypothesis is accepted, which means that regional expenditures has a positive and significant effect on employment opportunities. In line with Mudiarcana & Marhaeni's research (2018) which states that government expenditures has a positive effect on employment in the Province of Bali. Government expenditures has a multiplier effect on society, namely encouraging public revenues, thus impacting people's consumption and savings, as well as driving overall demand. Increased demand will create new jobs in society (Sutriyono, 2011).

**Table 2. Path Analysis Test Results ( Structure II)  
Coefficient <sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Betas	Betas		
2	( Constant )	1,590	,413		3,849	,000
	Consumption	,337	,028	1027	11,987	,000
	Investation Private	.030	,010	,219	3,086	,003
	Regional Expenditures	,029	,012	, 171	2,458	,016
	Opportunity work	,370	.052	,699	7,090	,000

Variable Dependent : Growth economy

The influence of household consumption on economic growth obtained standardized coefficients beta of 1.027 and a significance value of  $0.000 < 0.05$  which indicates that the hypothesis is accepted. This result means that household consumption has a positive and significant effect on economic growth. Economic growth is a process of changing the condition of a country's economy continuously towards the expected state within a certain period of time, or it can be said by increasing national income. Economic growth is related to the process of producing goods and services in the community's economic activities, and can be measured by increased production and income.

The effect of private investment on economic growth is obtained by standardized coefficients beta value of 0.219 and a significance value of  $0.003 < 0.05$  which indicates that the hypothesis is accepted. This result means that private investment has a positive and significant effect on economic growth. The dynamics of investment affect the rate of economic growth, reflecting the prevalence of sluggish development. So every country is trying to create a climate that can stimulate investment, especially private investment that can help create jobs so as to increase employment opportunities and the welfare of the regencies/city community in the Province of Bali. This is in line with the research of Suciati & Budhi (2015) which states that investment has a positive and significant impact on people's welfare in the regencies/cities of Bali Province in 2007-2012.

The influence of regional expenditures on public welfare is obtained by standardized coefficients beta value of 0.171 and a significance value of  $0.016 < 0.05$  which indicates that the hypothesis is accepted. This result means that regional expenditures has a positive and significant effect on economic growth. The results of this study are in line with the research of Nina and Rustariyuni (2018). According to him, the implementation of fiscal decentralization shows that the fiscal potential of regional governments can vary widely. This difference in turn can result in various economic growth as well. Granting greater autonomy will have a greater impact on economic growth (Nina & Rustariyuni, 2018).

The influence of employment opportunities on economic growth is obtained by standardized coefficients beta value of 0.699 and a significance value of  $0.000 < 0.05$  which indicates that the hypothesis is accepted. This result means that employment opportunities have a positive and significant effect on economic growth. The results of this study are in line with Mudiarcana & Marhaeni's research (2018) concerning employment and economic growth which states that employment has a significant positive effect on economic growth in the Province of Bali. Labor is one of the most important production in relation to the increase in a country's GDP. The more labor used in the production process, the higher the production of these activities

The test results for the indirect effect of the household consumption variable on the economic growth variable through employment opportunities obtained a z count of  $5.2074 > 1.96$ . That is, employment is a variable that is able to mediate the effect of household consumption on economic growth or in other words household consumption has an indirect effect on economic growth through employment opportunities. This means that higher household consumption expenditure is followed by increased absorption of labor, causing economic growth to increase.

The results of testing the indirect effect of the private investment variable on the economic growth variable through the employment variable obtained a Z count of  $2.7230 > 1.96$ . This means that employment is a variable that mediates private investment on economic growth or in other words private investment has an indirect effect on economic growth through employment opportunities. Research by Cahyani & Darsana (2016) gives the result that investment has a strong relationship with economic growth, where an increase in investment will also be followed by an increase in economic growth. Foreign capital helps in industrialization, builds up the economy's overhead capital, and creates jobs.

The results of the test for the indirect effect of the regional expenditure variable on the economic growth rate variable through the employment opportunity variable obtained a z count of  $4.3727 > 1.96$ . This means that employment is a variable that mediates the effect of regional expenditures on economic growth or in other words regional expenditures has an indirect effect on economic growth through employment opportunities. This is in line with previous research by Danawati, et al (2016) that government expenditures which has a large influence on employment has a multiplier effect on economic growth in the Province of Bali.

## V. CONCLUSION

Based on the results of the analysis, it can be concluded that household consumption, private investment and regional expenditures have a direct positive and significant impact on employment opportunities in regencies/cities of Bali Province. Household consumption expenditure directly has a positive and significant effect on employment opportunities. Private investment has a positive and significant effect on employment opportunities. Regional expenditure has a direct positive and significant effect on employment opportunities. Regional expenditures causes an increase in the absorption of labor in society. Household consumption expenditure has a positive and significant effect on economic growth. Private investment has a positive and significant effect on economic growth. Government expenditures has a positive and significant effect on economic growth. Job opportunities have a significant effect on economic growth. The results of this study indicate that increased employment can increase economic growth. Household consumption, private investment,

and regional expenditures have an indirect effect on economic growth through employment opportunities, meaning that higher household consumption expenditures, private investment, and regional expenditures followed by an increase in employment causes economic growth to increase. Or in other words, the opportunity to mediate the influence of household consumption, private investment, and regional expenditures on regencies/city economic growth in the Province of Bali.

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