

# Effect of Original Regional Income on Regional Expenditure and Economic Growth in East Kutai Regency Region

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## ABSTRACT

The purpose of this research is to analyze effect of original regional income on regional expenditure and economic growth in East Kutai Regency Region. This type of research is quantitative and explanatory research. Secondary data in this research is the amount of original regional income, regional expenditure, and economic growth in East Kutai Regency Region from 2008 to 2021. The analysis method in this research uses partial least squares regression. The results of the analysis show that original regional income has a positive and significant effect on regional expenditure in East Kutai Regency Region. Original regional income has a positive and significant effect on economic growth in East Kutai Regency Region. Regional expenditure has a positive and significant effect on economic growth in the East Kutai Regency Region.

**Keywords:** Original Regional Income, Regional Expenditure, Economic Growth

## INTRODUCTION

The central government intervenes in the regions for reasons of ensuring national stability and the still weak human resources in the regions. For these two reasons, centralization of authorization is seen as a prerequisite for creating national unity and integrity and encouraging economic growth. Regional economic development is a process in which regional governments and their communities manage existing resources and form a partnership pattern

between regional governments and the private sector to create new jobs and stimulate the development of economic activities (economic growth) in the region.

The main problem in regional development lies in the emphasis on development policies that are based on the specificities of the region concerned (endogenous development) by using the potential of local human, institutional, and physical resources. This orientation directs us to take initiatives originating from the region in the development process to create new job opportunities and stimulate increased economic activity. In general, the objectives of the economic development strategy are first, to develop employment opportunities for the current population. The goal of economic development planning and employment is more to provide employment opportunities for the current population than to attract new workers. Second, achieving regional economic stability.

Economic growth is a problem of a region's economy in the long term towards a better condition over a certain period, and can be a measuring tool to see or analyze the level of the economy in that region. According to Sukirno (2008), in macro analysis, the level of economic growth achieved by a region is measured by the development of real national income achieved by a region. Economic growth is an important measure to determine the success of development in a region. A region is considered successful

in implementing development if the economic growth of the people in the region is quite high. Economic growth is defined as an increase in gross domestic product regardless of whether the increase is greater or smaller than population growth and regardless of whether there are changes in the economic structure.

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Economic growth is a measure used to see the results of local government performance with decentralization. Economic growth means increasing regional economic development will increase regional economic growth. Regional spending and investment have a significant influence and have a unidirectional relationship on economic growth.

The revenue budget is basically an inseparable part in preparing regional revenue and expenditure budgets. Where the preparation of the revenue budget has an important meaning for regional governments in helping the wheels of development run smoothly and providing content and meaning to the responsibilities of regional governments in particular so as to create effective planning and implementation. To produce effective and efficient regional budget administration, the budget preparation or planning stage is one

of the factors that must be considered (Todaro, 1995).

Thus, it must be acknowledged that the preparation or budget preparation stage is only one important stage in the entire regional budget cycle or process. Regional expenditure is a regional expenditure burden that is allocated fairly and evenly so that it can be relatively enjoyed by all community groups without discrimination, especially in the provision of public services (Kuncoro, 2002). Regional expenditure is all regional obligations that are recognized as a deduction from the value of net assets in the relevant fiscal year period.

The purpose of this research is to analyze effect of original regional income on regional expenditure and economic growth in East Kutai Regency Region.

## RESEARCH METHODS

This type of research is quantitative research that is used to research certain populations or samples, collecting data using research instruments, and statistical data analysis, with the aim of testing, predetermined hypotheses (Sugiyono, 2017). Explanatory research is research that aims to analyze the relationships between one variable and another variable or how one variable influences other variables. This research aims to retest and develop existing research models, to describe and explain the influence between variables (Umar, 1999).

Research analysis and conclusions are based on many data sources using secondary data. Secondary data is a data source that does not directly provide data to data collectors, for example through other people or through documents. Secondary data sources are complementary data sources that function to complete the data required by primary data (Erlina, 2008). Secondary data in this research is the amount of original regional income, regional expenditure, and economic growth in East Kutai Regency Region from 2008 to 2021.

The analysis method in this research uses partial least squares regression. Partial least squares has the ability to explain the

relationship between variables and the ability to carry out analyzes in one test (Bentler and Bonett, 1980). The purpose of partial least squares is to help researchers to confirm theories and to explain whether or not there is a relationship between latent variables. The partial least square method is able to describe latent variables (not directly measurable) and is measured using indicators (Abdillah and Jogiyanto, 2015).

## **RESULT AND DISCUSSION**

### **General Description**

The economic development of East Kutai Regency cannot be separated from the influence of the global, national, and provincial economy as well as the contribution of the economic structure that shapes it. East Kutai Regency is very rich in coal mining products. The contribution of the coal mining sector has dominated the value of gross regional domestic product over the last few years.

Based on data on the development of gross regional domestic product in East Kutai Regency, the contribution of the coal mining sector in East Kutai Regency dominates the value of gross regional domestic product. This shows that if the oil gas and coal components are excluded, the real value of the gross regional domestic product falls by 22.7 percent.

East Kutai Regency's gross regional domestic product value in real terms; that is, excluding the oil and gas and coal components, the valued is around Rp20 billion in 2018 and increased to around Rp21 billion in 2019. The inflation factor (prices in effect in 2018) caused the value of gross regional domestic product to be around Rp33 billion.

If we look at the rate of economic growth in Kutai Regency, the rate of economic growth in 2016 experienced a slowdown as a result of weakening global economic conditions. However, judging from data trends, there has been an increase in economic growth in

line with improvements in more stable national economic growth.

In East Kutai Regency the rate of economic growth with oil and gas in 2019 is 7.97 percent, without oil and gas it is 1.90 percent, and without oil and gas and coal it reached 2.93 percent. The difference in growth rates shows that the coal mining economic sector still dominates.

This condition shows that it is important to accelerate sectors outside of oil and gas and coal, especially agribusiness and agro-industry, to contribute to the rate of economic growth in East Kutai Regency. This requires the role of all components of East Kutai Regency society.

Development of original regional income from 2020-2022. The development of original regional income tends to fluctuate or change from year to year. The original regional income of Kutai Tmur Regency in 2020 is 144594267 million rupiah, in 2021 it is 207991779 million rupiah and in 2022 it is 214021234 million rupiah.

The increase in original regional income in East Kutai Regency shows that the East Kutai Regency government has explored its regional potential well. Even though the original regional income of Kutai Kartanegara Regency has increased. In this way, the East Kutai Regency government must further increase original regional income to reduce dependence on the central government.

One way to increase original regional income is to develop economic sectors that have the potential to become leading sectors in East Kutai Regency. These sectors are a reflection of gross regional domestic product which is an indicator for measuring performance.

### **Hypothesis Testing**

In this research, the results of hypothesis testing carried out by the researcher will be explained:

Table 1. Hypothesis Testing

Variable	Original Sample	T Statistics	P Values	Information
Original Regional Income -> Regional Expenditure	0.892	19.553	0.000	Significant
Original Regional Income -> Economic Growth	0.411	2.617	0.009	Significant
Regional Expenditure -> Economic Growth	0.575	3.579	0.000	Significant

Source: 2023 Processing Results (Smart PLS 3.3.3 Output)

The results of the analysis show that original regional income has a positive and significant effect on regional expenditure in East Kutai Regency Region. Original regional income has a positive and significant effect on economic growth in East Kutai Regency Region. Regional expenditure has a positive and significant effect on economic growth in the East Kutai Regency Region.

The higher original regional income generated, the greater regional expenditure issued by regional government. Original regional income is an indicator for assessing regional independence and a benchmark for the success of regional governments in carrying out government duties, development and providing public services to regional communities. Thus, if the amount of original regional income obtained increases, economic growth will also increase, that is, the government will try to increase spending by relying on increasing tax revenues. Regional expenditure has a role in growing the value of the economy, with the assumption that the influence of government spending is meant by the existence of a number of productive activities, for example by allocation to the infrastructure sector.

## CONCLUSION AND SUGGESTION

The results of the analysis show that original regional income has a positive and significant effect on regional expenditure in East Kutai Regency Region. Original regional income has a positive and significant effect on economic growth in East Kutai Regency Region. Regional expenditure has a positive and significant effect on economic growth in the East Kutai Regency Region.

The suggestions that can be given in this research are as follows:

1. Regional Government of East Kutai Regency is expected to increase original regional income in accordance with regional potential to finance various programs that directly touch the needs and welfare of the community, such as education, health, and other needs. Regional Government of East Kutai Regency is expected to make maximum use of its natural resource wealth so that it can encourage economic growth.
2. Regional Government of East Kutai Regency should make every effort to increase the potential sources of regional income, thereby encouraging economic growth. Regional Government of East Kutai Regency must utilize the potential of its natural resources, so that it will have an impact on increasing profit-sharing funds to improve the economy in various sectors.
3. In the infrastructure aspect optimally through regional spending in the form of infrastructure development or other investment activities that can absorb new workers thereby creating job opportunities, which in turn can encourage regional economic growth and create an equal distribution of accessibility and connectivity to and from production centers. other production centers so that the potential of natural resources can be utilized optimally through good distribution.

### Declaration by Authors

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**Conflict of Interest:** The authors declare no conflict of interest.

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