



The Impact of Capital Expenditures on Economic Development in South Sulawesi Province

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ABSTRACT

The purpose of this study is to determine and review the consequence of capital expense in the form of: capital expense for tools and instruments, capital expense for buildings and structures, avenue capital expense, dams and waterways, and further fixed asset capital expense on economic development Province of South Sulawesi. The analysis method uses a descriptive approach that aims to describe the development of capital expense and economic development in the Province of South Sulawesi from period to period, and the inferential approach with regression analysis, which is an analysis to find out of capital effect expense development of economic. Analyze results found that the economic development of South Sulawesi Province fluctuated relatively from year to year, but remained in a stable condition, as well as capital expense which tended to fluctuate. Regression results show that capital expense for tools and instruments and capital expense for buildings and structures have a negative impact on economic development. But capital expenses on avenues, dams, waterways, and other fixed asset capital expenses get a positive also important impact on the development of the economy.

Keywords: Capital expenses, Capital Management, Development of Economic

1. Introduction

The issue that is strongly focused on assessing government performance is the consequence of capital expense on economic development. Not surprisingly, this issue has become an area of discussion among researchers and policymakers in both developed and

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developing countries (Shabani & Safaie, 2018; Umiyati et al., 2017; Song & Mi, 2016; Jayadi & Bata, 2016; Prihastuti, Taufik, & Agusti, 2015; Suwand & Tahar, 2015; Vidyartha & Sharma, 2014; Jaya & Dwirandra, 2014; Pradhan & Bagchi, 2013; Pradhan *et. al*, 2013; Manamperi, 2016; Nizar, Hamzah, & Syahnur, 2013; Sularso & Restianto, 2011).

One indicator to measure the economic development of a territory is the government's commitment in conducting capital expense budget (Umiyati *et. al*, 2017; Sularso & Restianto, 2011; Mirza, 2012). The impact of the use of capital expense will influence regional economic development and will have an impact on improving the community's economy (Nurwainah, 2013). Papagni *et. al* (2020) shows that public investment (capital expense) has an important role in economic development. To encourage this, Law Number 22 of 1999 concerning Regional Government has given autonomy to regional governments in managing their resources with the intention of increasing the welfare of the society. Goal from autonomy of regional is further grow welfare also services to the society, the expansion of democracy, fairness, even distribution, and care for balanced between the central with the area too between areas as stipulated in Law No. 25 of 1999 concerning financial balance between the central government and regional governments.

Execution autonomy of regional according to Saputra (2013); Setiawan & Aritenang (2019) if economic development can improve people's welfare. For this reason, capital expense targets should be aimed at something productive, such as avenue establishment, electricity supply, improvement of clean water supply and sanitation, establishment of communication facilities and so on, all of which are absolutely necessary in order to increase the welfare of the society (Saragih, 2003).

South Sulawesi's economic development over the past five years (2013-2017) tends to fluctuate, namely in 2013 economic development of 7.62 percent, then in 2014 amounted to 7.54 percent. While in 2015 it dropped to 7.19 percent, then 7.42 percent. In 2016 and 2017 it reached 7.22 percent. This shows that the economic condition of South Sulawesi is not yet fully stable. For this reason, local governments need to provide stimulus and encouragement to economic actors to make investments, one of which is by providing infrastructure facilities that can attract investment. Moller & Wacker (2017); Wong (2004) shows that infrastructure improvements will have an impact on increasing PAD which will lead to accelerated economic development. In Accord with Arvin *et. al* (2015); Beyzatlar *et. al* (2014); Lenz *et. al* (2018); Pradhan & Bagchi (2013) that infrastructure has an important role in economic development. A conducive investment climate will increase PAD to encourage long-term economic development (Pradhan, 2019; Apriana & Suryanto, 2010).

Based on the description above, it is necessary to conduct a scientific study through research, which focuses on capital expense affect in development of economic at South Sulawesi as an container in order to stimulate economic development. This research has the aim of determine and explore the effect of capital expense like: capital expense for tools and instruments; capital expense for buildings and structures; avenue, dams and waterways capital expense; and more fixed asset capital expense on economic development in South Sulawesi.



Knowing and analyzing which capital expense has the biggest impact on the economic development of South Sulawesi.

2. Literature Review

2.1 Capital expenses

Halim & Kusufi (2013: 73) defines capital expense as a local government spending whose advantage exceeds one budget year also do increase area wealths or riches and subsequently do add to usual expenses like care load on the public administrative burden cluster. In accordance with the Minister of Home Affairs Regulation No. 13 of 2006 Article 53 first paragraph concerning Regional Financial Management Guidelines it also states that capital expense is an expense made in order to purchase / provision or establishment of tangible fixed assets which has as period of more than 12 (twelve) months worn on ministry action, like ground shape, tools and instruments, buildings and structures; avenue, dams and waterways, also other property.

Nurlan (2009: 131) argues that regional expense includes all disbursements from bill of public cash area which cut off grand equity of the fund, that is a duty area in fiscal season whose payments cannot be withdrawn. Minister of Home Affairs Regulation No. 59/2007 states that regional expense is an obligation of the regional government which is recognized as a reduction in net asset. The regional expense includes all disbursements from the area public repertory account which decrease grant distribution, are area obligations in fiscal season and will not be repaid by area.

Capital expenses are expense made in framework asset establishment that is increase fixed assets / supplies that give advantage during an accounting period. Capital expense could be cohort into 5 (five) main group, that is soil, equipment, machinery, buildings and buildings and avenues, dams and waterways. Expense on land capital are expense / procurement cost / buy / waiver of repayment, change of name and land lease, emptying, confinement, equipment, soil ripening, certificate creation, also other spending relating to procurement of soil knit and until the said soil is on a ready to use condition. Tools and instruments fund expense are expense / costs used for provision / subsidiary / substitution, also enhancement holding capacity to tools and instrument and office inventory useful for more than 12 (twelve) months and up to tools and instrument are prepared for all ready conditions. Avenue, dams and waterways fund expense is outlay / charge serveto procurement / subsidiary / substitution / establishment upgrade / establishment and maintenance, also come under expenses for scheming, surveillance and superintendence avenues, dams and waterways which increase holding capacity for avenue, dams and waterways referenced for use conditions.

Other physical capital expenses are expenses / availability load / addition of substitutes / improvements / establishment / fabrication fisika also other material maintenance which impossible classified become fund expense land type, material and engine, architecture and scaffolding, and avenue, dams and waterways, included inside expense are fund expense for

leasing agreement, daily buying, ancient stuff and items for museums, stockbreeding and vegetal, knuckle also scientific journals.

According to Permendagri Number 13 of 2006 on directive of area financial management in Article 52 (1) states that the expenditure of goods and services is used for expenditure purchases / supply of stuff that the grade less than twelve months and / or application of merit on execution local ministry programme and airs. Article 53 states that capital expense is expense carried out in the context of spending/providing or developing fixed assets in the form of and has a benefit for more than twelve months to serve in ministry airs, like shape of soil, tools and instruments, scaffolding and structures, avenue, dams and waterways, also other fixed assets. DAK and DAU are energy sources for regional governments to carry out capital expenses in accordance with those stipulated in the Regional Budget (APBD).

2.2 Economic development

The level of economic development is one of the main purpose of the regional and central government. Efforts to additional local revenue will not be meaning full if it is not followed by an additional in regional economic development. Brata (2004) revealed that lest two constituent of regional income is have a significant absolute impact on economic matters area development. The two components are the PAD and the Donation & Assistance Section. However, research Brata (2004) does not cover the period after regional autonomy so that the relationship of PAD and economic development can lead to a negative relationship if the region is too offensive in an effort to increase regional revenue.

According Berg (2001: 2) economic development is an increase in output each individual continuously in the long range also an indicator from success of establishment, the bigger it is economic level development, the bigger it is prosperity for colony. Economic development since the classical period has given birth to several models based on certain approaches regarding economic development. Models based on a theoretical approach with their respective perspectives attempt to explain the ongoing process of economic development. Some main models with the intention to identify sources or dominant factors in determining or influencing economic development, namely classical capital, Harrod-Domar, Neo Classical, Optimal and Endogenous.

2.3 Previous research

Research findings on the influence of capital expense on economic development can be grouped into two main groups: the first is the researcher who finds a significant influence and the presence of a non-significant effect. Nurwainah, (2013) analyzed the impact from area ministry fund expense, employment also human development index of economic development and poverty, the research findings suggest that government capital expense own important effect also own a absolute connection to economic development in District / City from Central Java Province. Umiyati et al., (2017) analyzed the influence of capital expense, economic development and the amount of simple people on the regency / town human development

index (HDI) in Jambi Province. Research findings show that capital expense significantly influences economic development. The same research findings by Mirza (2012) analyze the influences of indigence, economic development, also fund expense at concordance people accreation of Central Java. Likewise, the results of Sularso & Restianto (2011) research which analyzed the influence of financial show about partition fund expense and economic development on regencies / town of Central Java. Meanwhile, Nizar *et. al* (2013) who examined the impact of investment and work force at economic development also its connection with indigence degree at Indonesia, the outcome indicate is government investment own a means impact at economic development. Papagni *et al.*, (2020); Felice & Lepore, (2017) likewise who conducted research in Southern Italy indicate if investment own a means impact at economic development. Similar research conducted in Spain found that infrastructure investment had a positive influence on economic development (Herranz-Loncán, 2007).

Research conducted by (Mahdalena, 2021) that existing infrastructure and infrastructure in area own effect at area economic development. Good facilities and infrastructure will enable people to perform their rutinity liveliness peacefull and pleasurable so that it could be predispose step up of prosperity degree and with equal infrastructure shall appealing investors to expose venture in the region. This was confirmed by Kadir (2006) that optimal economic development required adequate infrastructure.

3. Research Methods

This study data is secondary data originating from summary if the South Sulawesi Province APBD for the Period of 2013-2018, Gross Regional Domestic Product (GRDP) of South Sulawesi. Analysis of research data using descriptive analysis methods and multiple regression analysis. Descriptive analysis is an analysis method that used for describe the development and economic development of South Sulawesi in the period 2013-2018, as well as the variable capital expense. Multiple regression analysis is a method of analysis that serves to see the influence of capital expense on economic development, by model:

$$Y = b_0 + b_1 \ln X_1 + b_2 \ln X_2 + b_3 \ln X_3 + b_4 \ln X_4 + e_t \quad (1)$$

Where :

Y = economic development

X1 = Tools and instruments capital expense

X2 = Building capital expense and building

X3 = Capital expense for avenues, dams and waterwayss

X4 = Other fixed asset capital expense

b0 = Constant

b1-b4 = Regression coefficient

e = error rate

ln = Natural logarithm

4. Performance Study and Review

4.1 Performance Study

4.1.1 Effect of Capital expenses on Economic development

To determine the effect of capital expense consisting of tools and instruments capital expense (X1), structure and buildings capital expense (X2), avenue capital expense, dams and waterways (X3), and other fixed asset capital expense (X4), multiple regression analysis is used. Build upon outcome of data processing is following outcome is obtained:

Table 1
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	-22.751	11.499		1.979	.088
LnX1	-.702	.772	-.631	.909	.394
LnX2	-.776	.290	-1.302	2.675	.032
LnX3	1.988	.683	1.355	2.911	.023
LnX4	.685	.265	1.665	2.582	.036

a. Dependent Variable: Y

From the above results, the regression line equation can be written as follows:

$$Y = b_0 + b_1 \ln X_1 + b_2 \ln X_2 + b_3 \ln X_3 + b_4 \ln X_4 + e_t \quad (2)$$

$$Y = -22.751 - 0.702 \ln X_1 - 0.776 \ln X_2 + 1.988 \ln X_3 + 0.685 \ln X_4 + e_t$$

From the multiple regression equation mentioned above, the results can be interpreted:

$b_0 = -22,751$ shows that if capital expense for tools and instruments (X_1), capital expense for buildings and buildings (X_2), avenue capital expense, dams and waterways (X_3), and other fixed asset capital expense (X_4) does not change (constant), it is estimated that economic development (Y) has decreased.

$b_1 = -0,702$ shows that if capital expense for tools and instruments (X_1) increases by 1%, then economic development (Y) is expected to fall by 0.702%, assuming structure and buildings capital expense (X_2), avenue capital expense, dams and waterways (X_3), and other fixed asset capital expenses (X_4) are constant, but the decrease is not significant because sig = 0.394 is greater than $\alpha = 0.05$.

$b_2 = -0,776$ shows that if structure and buildingscapital expense (X_2) increases by 1%, then economic development (Y) is expected to decrease by 0.776%, assuming tools and instrumentscapital expense (X_1), avenuecapital expense, dams and waterways (X_3), and other fixed asset capital expense (X_4) are constant, and the decrease is significant because sig = 0.032 is smaller than $\alpha = 0.05$.

$b_3 = 1,998$ shows that if avenue, dams and waterwayscapital expense (X_3) increases by 1%, then economic development (Y) is expected to increase by 1,998%, assuming tools and instrumentscapital expense (X_1), capital expense for buildings and buildings (X_2), and other fixed asset capital expenses (X_4) are constant, and the increase is significant because sig = 0.023 is smaller than $\alpha = 0.05$.

$b_4 = 0.685$ shows that if capital expense for other fixed assets (X_4) increases by 1%, then economic development (Y) is estimated to increase by 0.685%, assuming tools and instrumentscapital expense (X_1), building capital expense (X_2) , and avenue, dams and waterways (X_3) capital expense is constant, and the increase is significant because sig = 0.036 is smaller than $\alpha = 0.05$.

From the data above, it can be seen if biggest impact at capital expense into economic accretion of the Province of South Sulawesi is avenue, dams and waterways capital expense (X_3).The coefficient of determination (R_{Square}) and its F Test (F_{Change}) can also be observed from the outcome of the processed data as follows:

Table 2
Model Summary

Model	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
				R Square Change	F Change	df1	df2	Sig. F Change
1	.678 ^a	.495	.45564	.678	3.693			.064

a. Predictors: (Constant), LnX4, LnX3, nLnX2, LnX1

R_{Square} of 0.678, this means that the variable capital expense consisting of tools and instrumentscapital expense (X_1), structure and buildingscapital expense (X_2), avenue, dams and waterwayscapital expense (X_3), and other fixed asset capital expense (X_4) included in the model is able to explain variations in the rise and fall of economic development (Y) of 67.8%. While 32.2% explained other variables not belonging in the model.

F_{Change} is 3,693, has a significant effect on $\alpha = 0.10$ because Sig $F_{\text{Change}} = 0.064$ is smaller than $\alpha = 0.10$. This means that the model used is quite good, where the independent variable tools and instrumentscapital expense (X_1), structure and buildingscapital expense (X_2), avenue, dams and waterwayscapital expense (X_3), and other fixed asset capital expense (X_4) in the model together have a say means on the dependent variable, namely economic development (Y).



5. Discussion

Regional expenditures undertaken by the government of South Sulawesi Province, especially capital expense, are certainly expected to encourage economic development. In this research capital expense that is discussed is capital expense to material and mechanism; capital expense to structure and scaffolding; avenue, dams and waterways capital expense; and other fixed asset capital expense.

Capital expenses for tools and instruments are spending / charge be used to provision / replenishment / substitution, also increase in material and machine capacity and office inventory which gave advantage for more than 12 (twelve) months and until the said tools and instruments are in condition ready to use. From the results of the study show that capital expense tends to burden economic development, in the sense that with capital expense this causes economic development to decline. This is because tools and instruments spending is ineffective in the production process which in turn only wastes the budget.

Structure and buildings capital expense is expenditure/costs used to provision/replenishment / substitution, also belonging expenses to scheming, surveillance and superintendence from structure and scaffolding which augment amount until the said scaffolding and buildings are in ready-for-use conditions. As with tools and instrument expenditure, building capital expense also imposes economic development, in the sense that this capital expense results in declining economic development. This is because structure and buildings spending is not effective in supporting the production process and economic activities that can encourage economic development. Many of us see government assets that are not well managed, instead tend to be neglected so that only a waste of budget.

Avenue, dams and waterways capital expense is expenditure/ charge be used for creation / replenishment / substitution / enhancement of construction / establishment and safeguarding, and belonging expenses for scheming, supervision and superintendence of avenues, dams and waterways which enhance amount to avenues, dams and waterways meant that condition ready to use. Capital expense in this field is indeed expected to encourage economic development. Because with the procurement of avenues, dams and waterways, the mobility of people, goods and more smoothly, agriculture, which is the main sector of driving the economy, is getting better, and mobility and communication systems that are better and of quality will be able to move the economic sector to grow. From the results of the study, it can be seen that capital expense for procurement of avenues, dams and waterways own means influence economic development in the province of South Sulawesi.

Other fixed asset capital expenses are expense /costs used for provision /additional replacement/ repair / establishment / manufacturing and other physical treatments that cannot be grouped in fund expenses soil characteristic, material and engineering, scaffolding and buildings, also irrigation avenues and the network, including in this spending is fund expense to rental bond, procurement from everyday items, ancient stuff and object for museums, stockbreeding and vegetal, knuckle and scientific journals. With capital expense in this field it has also proved to be able to support economic development. Such as spending

on procurement of avenues, dams and waterways; other fixed asset capital expenses also ownmeans impact ateconomic development in the province of South Sulawesi.

6. Conclusions, Suggestions and Further Research

From observation of research output can be attracted resume that: (1) Partial capital expense on tools and instruments has a negative effect on economic development, but not significantly, in line with the research of Manamperi (2016)who conducted research in Turkey. While building capital expense and buildings own negative also means impact at economic development. (2) Partially for avenue fund, dams and waterways capital expense, and other fixed asset capital expenses also means impact ateconomic developmentof line with the research of Herranz-Loncán (2007)who conducted a study in Spain. (3) Capital expense in shape of material and engineering; capital expense for buildings and buildings; avenue, dams and waterwayscapital expense; and other fixed asset capital expenses undertaken by the government have a major impact on economic development. (4) Capital expense in shape of material and engineering capital expense for buildings and scaffolding; avenue, dams, waterways capital expense; and other fixed asset capital expenses together have a significant effect on economic development. Overall capital expense affects economic development, the output of research in accordance with the several researchers Umiyati et al., (2017); Nurwainah, 2013; Mirza (2012); Sularso & Restianto (2011) but different from the results of research conducted by Prihastuti *et., al*, (2015); Jaya & Dwirandra, (2014); Adyatma & Oktaviani, (2015) that capital expense has no effect on economic development.

From the research findings, it is suggested that the South Sulawesi Provincial Government should be more selective in its capital expense, especially capital expense in the field of equipment and machinery; structure and buildings. Because all this time capital expense in this field has actually weighed on economic development. Another thing is that capital expense in the field of avenues, dams and waterways; and other fixed asset capital expense is maintained and increased again because it is able to drive economic development. More specifically in capital expense for other fixed assets, because capital expense in this field is still very small, but it can encourage economic development.

The limitation of this research is the study period between 2013-2017 so that it cannot provide a comprehensive picture related to economic development, however the resulting impact will be measurable when using longer data. This study uses summary budget data as analysis material, so researchers do not get a complete picture of the form of activities carried out in detail. Access to elaborating the regional budget is still a secret for the regional government. Future studies are expected to use the elaboration of the APBD and a longer period of time to analyze the data, so as to be able to measure economic development in the long run.

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