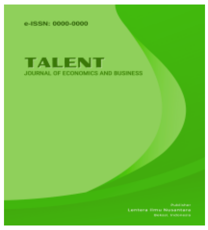
Talent: Journal of Economics and Business
Volume 02 No 03 September 2024
E ISSN : 3031-6383

https://lenteranusa.id/



The Influence Of Public Consumption Expenditure And Government Expenditure On Economic Growth In Indonesia

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Abstract
This article discusses the influence of public consumption expenditure and government expenditure on economic growth in Indonesia. In the context of macroeconomics, government expenditure consists of the purchase of goods and services, employee salaries, and transfer payments that function as a stimulus for the community. Public consumption spending, which includes primary needs such as food, clothing, and transportation, plays an important role in maintaining economic stability and creating jobs. The interaction between government spending and public consumption reinforces each other, where increased consumption drives production and income, which in turn improves people's welfare. Through this analysis, this article highlights the importance of the government's active role in managing expenditure to support sustainable economic growth in Indonesia.

Keywords: Public Consumption Expenditure, Government Expenditure, Economic Growth, Gross Domestic Product (GDP), Economic Stability

Introduction

This article analyzes the influence of private utilization and government consumption on financial development in Indonesia, focusing on the interaction between these two variables in the macroeconomic order. In financial matters, utilization is one of the components that contributes the most to the Gross Domestic Product (GDP), which reflects the full value of the products and services provided in a country. The use of private use includes basic necessities such as food, clothing, shelter, and transportation, which play an important role in maintaining financial well-being and creating jobs. When individuals have strong acquisition control, they can meet their utilization needs reasonably, which in turn encourages the development of household finances.

On the other hand, government consumption also plays an important role in encouraging financial development. These uses include the purchase of goods and services, workers' compensation, and upfront payments that serve as a driver for the community. In situations where public utilization is weakening, the government can take steps to expand investment to encourage economic development. The interaction between government investment and private utilization generally reinforces each other; Increased consumption can boost production and wages, which in turn boosts public welfare.

In the context of Indonesia, the significance of public utilization and government consumption is becoming clearer, especially in the face of global economic challenges and crisis situations such as the outbreak of COVID-19. In such a situation, the government's active role in supervising utilization has become increasingly important to support economic recovery. Proper economic regulation can help maintain a balance between the use of public use and healthy economic development.

This article aims to analyze how these two types of utilization contribute to economic development in Indonesia, as well as highlight the importance of appropriate controls to maintain control over public wages and general economic well-being. Using a research strategy that combines subjective and quantitative approaches, this article seeks to provide a deeper understanding of the flow of public utilization and government consumption, as well as its suggestions for economic development in Indonesia. Through this research, it is hoped that recommendations for approaches can be produced that can help the government in determining effective techniques to empower sustainable economic development and advance public welfare.

Methods

This study employs a combination of subjective and quantitative research methods to examine the impact of government spending and public consumer spending on Indonesia's economic growth. The subjective approach involves group discussions to understand the social and economic environment influencing public welfare, providing insights into the effects of government and consumption policies. Simultaneously, the quantitative method utilizes numerical data, including GDP, unemployment rates, inflation, and other financial indicators, to analyze the relationship between consumer spending, government expenditure, and economic growth through statistical techniques. By integrating these methods, the study aims to present a comprehensive understanding of the interplay between government spending and public consumer behavior, offering empirical evidence and practical policy recommendations to promote sustainable economic development and enhance public welfare.

Results and Discussion

Public Consumption Expenditure

Definitions and Components

The origin of the word consumer is English and Dutch, consumption and consumer means buyer. The second definition of consumer is very broad and very closely related to the purpose of buying products, as users Other consumer concepts can also be interpreted as users, viewers, and others(Triamalia et al., 2023) The amount of household money used to pay for various services and other needs is known as consumption. The amount of consumption always fluctuates along with changes in income; If income increases, consumption will also increase. Conversely, if income decreases then consumption will go down Consumption expenditure is the practice of people using part of their income to buy goods. The amount of income that can be spent determines consumption. In other words, the consumption function describes the relationship between the amount of income that can be spent and the amount of consumption expenditure. According to Gregory Mankiw, the definition of utilization is the use of goods and services by the family. What is meant by goods is family goods that are permanent, such as tools, vehicles, and non-durable goods, such as food and clothing. Consumption of services in general is a non-substantial good, such as education. Furthermore, Suherman in his book Presentation to Financial Hypothesis (2000) Utilization is the utilization of goods and services that will directly meet human needs. Utilization or individual utilization is the consumption by the family of goods and services. Utilization is the consumption of goods and services by the family. These goods include family investment in fixed goods, such as tables, chairs, motorcycles, and others. Meanwhile, investment in services includes goods that are not substantial. Such as health services, clothing, and others. According to Wiliam, he said that utilization in general is the use of goods and services that will directly meet human needs. Utilization is an investment made by individuals in a product and service with the aim of fulfilling the desires of the individual who does the work.

One of the key components influencing consumption power is the presence of stable income, which serves as a means of fulfilling community consumption needs. Several factors contribute to income levels, including capital, which refers to durable goods used as productive inputs for further production; the length of business operation, reflecting the age or establishment period of the trader's enterprise; location, which is crucial as it determines the trader's livelihood; available job opportunities; individual skills and job expertise; perseverance in work; and the amount of capital utilized, whether large or small.

Income plays a significant role in supporting stable public consumption power, meeting community needs, and enabling the government to manage economic activities effectively. Community expenditure consists of various types of needs that households or individuals must fulfill, which directly influence economic growth. Key components of public consumption spending include expenditures on primary needs such as food and beverages, clothing, housing and utilities, transportation, health, and education. Additionally, spending on recreation and entertainment enhances the quality of life, while other expenditures, such as personal care, financial services, communication, and household appliances, cater to modern living standards. Analyzing these components provides valuable insights into consumption patterns and their impact on the economy.

Public consumption expenditure drives demand for goods and services, fueling economic activity and ultimately contributing to economic growth and improved community welfare. Economic development offers numerous benefits for both society and the state, including increased wealth from economic output, greater opportunities for optimizing resources, expanded options for individuals, and the availability of more services to meet human needs. Furthermore, economic development helps narrow the gap between developing and developed countries, fostering global progress and equity.

It can be concluded that the role of regional community consumption management is very important in order to achieve stable economic growth. Utilization control is through planned and applied economic development by the government.

Impact on Economic Growth

Public consumption has a positive and significant influence on economic growth. Data shows that during the period 2003-2022, any increase in household consumption expenditure can increase GDP substantially. This shows that public consumption is the main driving force in the economy.

Public consumption expenditure plays an indicator of economic stability because it reflects the level of public welfare. When people are able to meet their consumption needs in a sustainable manner, this shows strong domestic economic stability. In many countries, high domestic consumption has also helped reduce the economy's dependence on international markets that are more susceptible to fluctuations. By strengthening the purchasing power of local people, the government can create a resilient internal market, so that global economic shocks such as changes in commodity prices or international financial turmoil can be better overcome. On the other hand, the level of public consumption expenditure also affects the monetary and fiscal policies implemented by the government. If public consumption increases too quickly, inflation can increase due to higher demand for goods and services. In this situation, the central bank can raise interest rates to control inflation. On the other hand, if consumption expenditure weakens, the government can implement stimulus policies to encourage people's purchasing power. In Indonesia, these strategies are often applied to maintain a balance between public consumption expenditure and healthy economic growth. Thus, public consumption expenditure is one of the main pillars that drive economic growth through increasing domestic demand, industrial production, and job creation. The close relationship between public consumption and economic growth emphasizes the importance of policies that support people's purchasing power so that economic growth can be sustainable and stable.

Government Expenditure
Definitions and Components

Government policies are reflected in government spending. Government expenditure is an expenditure that must be incurred by the government to implement the policies that have been set for the procurement of goods and services. The theoretical basis for government spending is found in the national income balance, which is Y-C+I+G (X-M). This provides support for the Keynesian theory of the importance of government involvement in the economy. The following equation shows that a change in government spending will result in a change in national income. The government makes decisions about spending arrangements based on a variety of factors.

Theories of government spending can be categorized into two main areas: macroeconomic theory and microeconomic theory. In macroeconomic theory, government spending is typically classified into three main categories: expenditures on the purchase of goods and services, expenditures on employee salaries, and transfer payments. These components highlight the various ways government spending supports economic activity and public welfare.

Transfer payment is not the purchase of goods or services by the government in the goods market, but records payments or direct payments to its citizens which include, for example, subsidy payments or direct assistance to various groups of society, pension payments, interest payments for government loans to the community. Economically, transfer payments have the same status and influence as employee paychecks, although administratively the two are different.

From a microeconomic perspective, the analysis of government spending focuses on the factors influencing the demand and supply of public goods. The interaction between these factors determines the quantity of public goods provided through the budget, which in turn drives demand for other goods. The development of government spending is influenced by changes in demand for public goods, shifts in government activities and the combination of production factors used in producing public goods, variations in the quality of public goods, and changes in the price of production factors. These dynamics highlight the complex factors shaping government expenditure decisions.

Impact on Economic Growth

Government spending affects the public consumption sector for goods and services. With government spending on subsidies, it not only causes people who are less fortunate to be able to enjoy a good/service, but also causes people who are able to afford it to consume more products/services. The policy of reducing fuel subsidies, for example, will cause fuel prices to rise, and the increase in fuel prices will cause public consumption of fuel to fall. To achieve the target of increasing GDP, the government can regulate the allocation and level of state spending. For example, by regulating a high level of state expenditure (for certain sectors), the government can regulate the level of employment (towards full employment). If the revenue target is insufficient to finance the expenditure, the government can finance it with a budget deficit pattern.

Keynesian understanding states that national income growth is determined by the amount of consumption expenditure, government spending, investment and net exports. According to Keynes, to increase economic growth as measured by increasing national income, it is necessary to increase consumption demand, government spending demand, investment demand, as well as export and import demand. The concept of calculating national income with an expenditure approach states that: Y-C+1+G+(X-M).

This equation is known as the national income identity equation, where Y is the national income as well as the aggregate offer. G stands for government spending, I for investment, X-M for net exports. By comparing the value of G to Y and observing it from time to time, it can be known how much government expenditure contributes to the formation of national income.

The Interaction Between Public Consumption Expenditure and Government Expenditure in Encouraging Post-Pandemic Economic Recovery

The interaction between public consumption expenditure and government expenditure plays an important role in driving post-pandemic economic recovery. When the COVID-19 pandemic hit, many sectors experienced a significant decline in economic activity. This has an effect on public consumption expenditure which has decreased due to restrictions on activities, economic uncertainty, and job losses. During the recovery period, public consumption expenditure and government spending policies played a role as the two main pillars to restore economic stability. People's consumption spending is often considered the main driving force in the economic recovery process, especially because high demand from consumers will create a chain effect that boosts production and increases employment. When people have strong purchasing power, they will spend more money on goods and services. This in turn will encourage increased production and labor absorption, which strengthens the economic recovery process. However, to reactivate people's purchasing power, intervention from the government through various stimulus and subsidy programs is very important so that people can recover from the decline in income during the pandemic. On the other hand, government spending is also very crucial in reviving the economy. The government can run programs of direct cash assistance, subsidies, and budget increases for important sectors such as health and infrastructure. These measures are not only to keep public consumption stable, but also to create jobs and improve people's welfare. By increasing spending in these key sectors, the government also provides stimulus to companies to maintain and increase their production, so that public demand can be met.

Some of the factors that affect public consumption in the field of technology are digitalization by the company which makes it easier for people to buy necessities during home quarantine after COVID-19. In the COVID-19 era, the government has encouraged the growth of the digital entrepreneurship ecosystem. In this case, digital entrepreneurship is a business entity that uses sophisticated digital technology, both in the process and in the marketing of its products and services.

In addition, public consumption expenditure and government expenditure reinforce each other. As society increases consumption, the business sector will respond by increasing production, which then increases income and labor. This increase ultimately results in more taxes for the government, which can be allocated to other economic recovery programs. On the other hand, when the government increases spending on infrastructure and public projects, many jobs are created, which increases people's income and purchasing power. Such economic circulation forms a positive cycle that supports the overall economic recovery. This interaction also has an impact on economic stability in the long term. With spending from the community and consistent government support, the risk of social inequality can be minimized, especially in the groups most affected by the pandemic. Social assistance programs, such as direct cash assistance or subsidies for basic needs, allow vulnerable people to still be able to access basic needs. This not only maintains consumption stability, but also improves public trust in the government in the economic recovery process. Overall, public consumption spending and government spending collaborate to create economic stability and drive a faster recovery. The government has a strategic role in designing policies that can stimulate an increase in consumption, while the public through their purchasing power is a determining factor for the development of the business sector. Post-pandemic economic recovery requires synergy between public consumption expenditure and government expenditure so that the recovery not only occurs gradually, but also more evenly across all levels of society.

Challenges and Obstacles

External Factors

Inflation has a significant impact on people's consumption expenditure because rising prices of goods and services can reduce purchasing power. When the prices of basic necessities such as food, energy, and transportation rise, people tend to reduce consumption expenditure to maintain the balance of their budgets. High inflation can encourage people to be more careful in managing spending and even reduce consumption on non-essential goods. This condition makes inflation an important factor that the government needs to pay attention to in maintaining economic stability.

In addition, price stability is an important factor in maintaining public consumption. When the prices of goods and services are stable, people tend to be more confident in spending money and spending, which ultimately supports economic growth. Conversely, price uncertainty can discourage people from shopping and prefer to save money for urgent needs in the future. Therefore, keeping inflation low and stable is one of the government's top priorities to support public consumption spending.

Required Policies

Government policies, especially in the form of subsidies and direct cash assistance, play a significant role in public consumption spending. Subsidies given to basic necessities such as fuel, electricity, and food can help reduce the burden of household expenses, so that people have more funds to allocate to other needs. This policy helps increase purchasing power and maintain a stable consumption level, especially for low-income people. In addition, social assistance from the government, such as direct cash assistance programs or basic food cards, can also increase public consumption by providing financial support directly to vulnerable groups. These policies are particularly effective in situations of crisis or economic pressure, where people's purchasing power is threatened. With the intervention of the government, public consumption can be maintained, which ultimately supports overall economic stability.

Conclusion

Public utilization and government consumption have a very crucial role in encouraging economic development in Indonesia. The interaction between these two types of utilization is generally getting stronger, where wider public utilization can boost production and income, which in turn drives public welfare. In emergencies or economic crises, such as in the midst of an outbreak, government intervention through a strengthening approach and transfer payments is essential to maintain control of the public economy. This arrangement is effective in supporting public utilization, which contributes to the overall health of the economy. Therefore, it is important for the government to effectively monitor consumption and establish regulations that support public economic control so that economic development can run economically and stagnately. This conclusion confirms that public utilization and government consumption are two fundamental pillars that must be well monitored to achieve ideal economic development in Indonesia

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