
ANALYSIS OF GOVERNMENT EXPENDITURE AND COMMUNITY WELFARE

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Abstract

This research is to analyze government expenditure and community welfare. The research method used in this study uses a design that is a literature review. A literature review is a research conducted by collecting various references or journals related to the research problem. The literature review is used to describe various theories that are relevant to the problems studied to be used as reference material for discussing research results. From the results of the research conducted, it can be concluded that community welfare is the final result (final goal) of development activities in an area or country, where the Human Development Index (HDI) is one of the indicators that affect community welfare. The results show that government expenditure, especially in education, health, employment (labor absorption influence on community income), and development infrastructure will be able to affect the welfare of the community. This is because an increase in government expenditure on these sectors will have an impact on improving community welfare to achieve a better standard of living.

Keywords: Government expenditure, Community welfare.

INTRODUCTION

The welfare of the community is seen in the quality of life of the people in Indonesia, which is superior when compared to half of the countries in Southeast Asia. Among the countries in the world, the Indonesian state is also able to rise from adversity due to the impact of the Covid 19 disease outbreak. From Indonesia's statistics in 2022, it shows that there is an increase in the life expectancy of the population. The expected figure for 2021 is 73.5 years, up 0.1 from the previous year. This shows a positive trend for ten years (BPS, 2022).

The welfare of the Indonesian people when viewed from the life expectancy of the Indonesian people is quite good when compared to countries in Southeast Asia. Indonesia's life expectancy is recorded at 71.7 years, even surpassing four countries, namely the Philippines (71.2 years), Cambodia (69.9 years), Laos (67.9 years), and Myanmar (67.1 years) (UNDP, 2020).

Nevertheless, efforts are needed to improve the quality of health services, because Indonesia is still in the middle rank when compared to the achievements of developed countries such as Hong Kong with a life expectancy of up to 84.9 years. For Japanese citizens, the life expectancy is up to 84.6 years and for Switzerland reaches 83.8 years (UNDP, 2020).

Improvements also occurred in the Human Development Index (HDI), the quality of life in Indonesia is superior to half of the Southeast Asian countries. Using the 2019 Human Development Index (HDI) data, it can be seen that the quality of life in Indonesia is better than in the Philippines, Cambodia, and Myanmar, including better in Vietnam, which has a higher life expectancy.

The welfare of the Indonesian people is still unequal, based on data from the National Socio-Economic Survey (SUSENAS), only 21.9% enjoy economic prosperity at the top level of the population. The number of poor people is 9.4%, vulnerable people are 20.6%, the community group is towards the middle class at 48.2%, the middle class is 21.5% and high income is only 0.5% (BPS, 2019). One of the consequences of the COVID-19 outbreak, has an impact on many economic sectors, resulting in layoffs and unemployment which affect the level of community welfare.

Community welfare shows the results of community development in achieving a better life, including; capacity building and equitable distribution of basic needs such as food, improvement of the standard of living, level of income, more education good, and increased attention to culture as well as values humanity and expanding economies of scale and providing social choices for individuals and nations (Todaro & Smith, 2015).

Government expenditure is one of the factors that can encourage the rate of increase in economic growth, with increased economic growth it will able to open up new jobs. The opening of new job opportunities will affect the absorption of labor which will be able to affect people's income which will ultimately affect the welfare of the community.

Government Expenditure, according to Keynes (Jhingan, 2012), the government can reduce unemployment by increasing the total amount of spending in the economy. Keynes's theory assumes that government spending is relatively high, causing an increase in aggregate demand which can increase and accelerate economic growth. Government spending affects community welfare, this following research conducted by Olasokan (2021), states that government expenditure has a significant effect on community welfare.

RESEARCH METHODOLOGY

The design used in this study is a literature review. A literature review is a research conducted by collecting various references or journals related to the research problem. The literature review is used to describe various theories that are relevant to the problems studied to be used as reference material for discussing research results (Wee & Banister, 2016).

A literature review is a description of theories, findings, and other research articles obtained from reference materials to be used as the basis for research activities. A literature review can be used to develop a clear frame of mind from the formulation of the problem to be studied. A literature review can also be said to be an analysis in the form of criticism of research that is being carried out on specific topics in science. The literature review contains reviews, summaries, and thoughts of the author on several library sources (articles, books, etc.) about the topics discussed (O'Connor *et all*, 2017).

By using the literature review method which aims to get an overview regarding what other people have done before (Suryanarayana and Mistry, 2016). Bibliography is useful to avoid duplication of research implementation and to find out research that has been done before (Alahi and Mukhopadhyay, 2019). In this study, a literature review was conducted on several international and national journals related to government expenditure on community welfare.

RESEARCH RESULTS AND DISCUSSION

Literature Review Table

No. Author	Title	Results
1. Olasokan, O. (2021)	The Impact of Government Expenditure on The Overall Welfare and Economic Growth of Nigerian As A Nation	An increase in capital expenditure and routine expenditure significantly improves the welfare of the community.
2. Mailassa'adah., Pudjihardjo., Burhan, U (2019)	The Effect of Government Spending On Education, Health, and Social Protection Sectors Towards The Human Development Index In Central Kalimantan	Government spending has a positive and significant impact on the Human Development Index (community welfare), especially on government spending in the education sector.
3. Satya, Wulaningrum, Kadafi, M. (2021)	E.V, R., The Effect of Local Government Income On Community Welfare by Using Expenditures As Mediating.	The influence of local government expenditure can increase the influence of income on community welfare.
4. Khan, T. (2018)	The Impact of Government Expenditure On Human Welfare: An Empirical Analysis For Pakistan.	Government expenditure in the long term (per capita income), health spending, recurring spending, and development spending has a positive and significant impact on community welfare (Human Development Index). Expenditures on defense have an insignificant effect but have a positive impact on human development (for the community welfare).
5. Wiksadana & Sihalo, DE (2021)	Does Government Spending on Health, Education and Military Improve Welfare in Asian Developing	Government spending in the health sector has the highest impact on community welfare, followed by government

No. Author	Title	Results
6. Emmanuel, M.O., Adesola, B., Amaghionyeodiwe, L., Alimi, OY (2015)	Countries? Component of Government Spending, Social Welfare Economic Performance in Nigeria	spending in the education and military sectors. Government spending on social and community services as well as government spending on transfer payments have a significant effect on improving and promoting social welfare (community welfare).
7. Lubis, F.R.A & Sukarniati, L. (2022)	Determinants of Community Welfare in West Sulawesi Province With Panel Data.	Government expenditure in the field of education has a positive and significant impact on the Human Development Index/HDI (Community Welfare). Government expenditure on housing and public facilities has a negative and significant effect.
8. Melayanti, D.N.A & Indrajaya, I.G.B (2021)	The Effect of Investment, Government Expenditure and Economic Growth On Community Welfare.	Investment, government expenditure and economic growth have a positive and significant impact on community welfare.
9. Dalen, K. (2020)	Changing Attitude Towards Government Responsibility For Social Welfare in China Between 2004 and 2014: Evidence From Three National Surveys.	Increasing social policy in China, expanding welfare provisions aimed at improving the welfare of the people (citizens). Government support for welfare provision has increased substantially across all population groups since 2004.
10. Syarifuddin, D. & Solihin, A. (2022)	The Role of Local Government in Improving The Quality of Human Development	The interaction of government expenditure in the fields of education and health has a long- term impact on improving the quality of human development.
11. Primandani, N.P.I & Yasa, .I.N.M (2021)	The Effect of Government Expenditure and Investment On Income Disparity and Community Welfare of District/City of Bali Province	Government expenditure and investment have a positive and insignificant effect on the welfare of the district/city community in Bali Province. The disparity in income distribution has a positive and insignificant effect on the welfare of the district/city
12. Putri, S.K., Anis, A., Triani, M. (2019)		

No. Author	Title	Results
	The Effect of Employment, Government Expenditure, and Economic Infrastructure On Community Welfare In Indonesia	community in Bali Province. Employment, government expenditure and road infrastructure have a positive and significant impact on community welfare.

Government expenditure is government spending, which is part of fiscal policy, is a government action to regulate the course of the economy by determining the number of government revenues and expenditures each year which is reflected in the documents of the National Budget for the National and Regional/Regional Budgets. The purpose of this fiscal policy is to stabilize prices, output levels, and employment opportunities and spur economic growth (Sukirno, 2010).

Research conducted by Putri et all (2019) and Melayanti & Indrajaya (2021), states that government expenditure, economic growth, and employment have a positive and significant impact on community welfare. Meanwhile, a study conducted by Olasokan (2021) stated that an increase in capital expenditures and routine expenditures (government expenditures) significantly improved community welfare. While research conducted by Primandani and Yasa (2021), states that government spending has a positive and insignificant effect on community welfare, income distribution disparities have a positive and significant impact on community welfare.

Research conducted by Lubis & Sukarniati (2022), states that government expenditure in the field of education has a positive and significant effect on the Human Development Index (IPM/HDI), while government expenditure on housing and public facilities has a negative and significant effect on Human Development Index (HDI).

In a study conducted by Syarifuddin & Solihin (2022), it was stated that the interaction of government expenditure in the fields of education and health had a long-term impact on improving the quality of human development. Meanwhile, research conducted by Wiksadana and Sihaloho (2021), states that government expenditure in the health sector has the highest impact on community welfare, followed by government expenditure in the education and military sectors. The research conducted by Khan (2018) states that government expenditure on defense (military) has an insignificant effect on community welfare but has a positive impact on human development.

Government expenditure (government spending) as a government policy, can affect economic growth which can be seen in the Gross Domestic Regional Product (GDRP). As for economic growth can be open up new job opportunities will be able to encourage increased absorption of labor. With the increase in employment, it will also be able to increase people's income, which in turn will

affect the welfare of the community, this is following research conducted by Melayanti and Indrayana (2021), which states that government expenditure and economic growth have a positive and significant effect on community welfare. Government expenditure from time to time is increasing due to the increasing number of government activities that require financing. Adolf Wagner calls it the law of increasing state activities or the law of increasing state spending. An increase in state spending in a relative sense, namely comparing state spending with a gross national product and or comparing with private sector spending (Mangkoesobroto, 2016).

Government expenditure can also be interpreted as the use of money and resources of a country or government to realize its function in carrying out welfare. Government expenditure is one element of aggregate demand. The theory of government expenditure can be classified into two parts, namely macro and micro theories. In macroeconomic theory, there are two different views regarding government spending concerning economic growth or national income.

Development model on the development of government expenditure developed by Rostow and Musgrave, links the development of government expenditure with the stages of economic development. In the early stages of economic development, the proportion of government investment to total investment is relatively large because at this stage the government must provide infrastructure for education, health, transportation, and so on. At the intermediate stage of economic development, government investment is still needed to boost the growth economy to take off, but at this stage, the role of investment private sector is getting bigger (Mangkoesobroto, 2014).

Government expenditure is closely related to economic growth, absorption of energy, community income, and community welfare. This is associated with the economy of a country or region where if per capita income increases, government expenditure will also increase. The role of the government is getting bigger because the government must regulate the relationships that arise in society, law, education, recreation, culture, and so on (Mangkoesobroto, 2016).

The concept of welfare according to Nasikun (1996) can be formulated as the equivalent meaning of the concept of human dignity which can be seen from four indicators, namely: a sense of security, welfare, freedom and identity. These indicators are things that are used to see the level of welfare which creates a sense of security, well-being, freedom, and a person's identity in meeting their needs.

Community welfare shows the results of community development in achieving a better life, including; capacity building and equitable distribution of basic needs such as food, improvement of the standard of living, level of income, more education good, and increased attention to culture as well as values humanity and expanding economies of scale and providing social choices for individuals and nations (Todaro & Smith, 2015).

According to The United Nations Development Program (UNDP) which has formulated human development as a process of expanding human choices in increasing people's opportunities to obtain health services, education, employment, and income (income). Community welfare can be seen from the indicators of the Human Development Index (HDI). The Human Development Index (HDI) is a measure of the welfare rate of a region or country that can be

seen based on three dimensions, namely the average years of schooling (mean years of schooling), life expectancy at birth, and purchasing power (purchasing power parity). This is following research conducted by Khan, (2018) and Mailassa'adah et all (2019), which states that government expenditure, government expenditure in the long term (per capita income), health, recurring spending, and development spending have a positive and significant impact on the Human Development Index (HDI). Research conducted by Satya et al (2021) states that local government expenditure can increase the influence of income on community welfare.

According to The United Nations Program (UNDP), the adult population literacy rate indicator and the average length of schooling measure education, life expectancy measures health and purchasing power measures living standards. The three indicators (education, health, income) will influence each other, besides that other factors can influence it, namely the availability of job opportunities which are determined by economic growth, infrastructure, and government policies. The Human Development Index (HDI) will increase if the three elements (education, health, and income) can be increased, a high Human Development Index (HDI) value indicates the success of a country's economic development.

Community welfare can be seen from several indicators, including education, employment, demographics, health, and other social indicators (BPS, 2014). This is in line with the results of research conducted by Putri et all (2019), which states that employment and government expenditure has a positive and significant effect on people's welfare. Research conducted by Emmanuel (2015), states that government expenditure on social and community services as well as for transfer payments has a significant effect on improving and promoting social welfare (community welfare).

Community welfare is the final result (final goal) of development activities in an area, where community welfare can be influenced by several factors. The results of the study show that government expenditure affects community welfare if government expenditure can be a driver for community welfare, such as in the health sector, education, spending in the infrastructure development sector, employment (labor absorption influence on community income and income per capita).

Government expenditure, especially in the education, health, and income sectors will be able to affect the Human Development Index (HDI) as an indicator of community welfare. With the increase in the Human Development Index (HDI) it will be able to show the level of community welfare. Thus, an increase in government expenditure (especially in the sectors mentioned above) will have an impact on increasing community welfare to achieve a better life. For government expenditure in the defense (military) sector, although the effect is not significant on community welfare, it will nevertheless have an impact on human development. Human development will also have an impact on the Human Development Index (HDI). Therefore, it is also an important factor in government expenditure in the defense sector (military) which in the end will also have an impact on the welfare of the community to get a better, safer and more comfortable standard of living.

CONCLUSION

From the results of the research conducted, it can be concluded that the welfare of the community is the final result (final goal) of development activities in an area or country, where the Human Development Index (HDI) is one of the indicators that affect community welfare. The results of the study show that government expenditure, especially in the education, health, employment (labor absorption influence on community income) and development infrastructure sectors, will be able to affect the welfare of the community, because an increase in government expenditure will have an impact on increasing community welfare to achieve a better standard of living.

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