GOVERMENT SPENDING IN SURABAYA: A TOOL FOR WELFARE OR A MASK FOR MISMANAGEMENT

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Abstract

This study aims to analyze the effect of government expenditure allocation consisting of employee spending, spending on goods and services, as well as capital expenditure on the welfare of the people in Surabaya. Public welfare is measured using the Human Development Index (HDI). This study uses a quantitative approach with secondary data from the Directorate General of tax Finance Surabaya and the Central Bureau of Statistics Surabaya during the period 2015-2024. The results showed that employee spending has a positive and significant effect on HDI with a coefficient value of 0.044 and significance of 0.032. Spending on goods and services has a positive and significant effect on HDI with a coefficient value of 0.064 and significance of 0.001. Capital expenditure has a positive but not significant effect on HDI with coefficient value of 0.001 and significance of 0.864. Simultaneously, the three variables of government expenditure have a significant effect on public welfare with a value of R2 of 0.946, meaning that 94.6% of the variation in public welfare can be explained by the variable allocation of government spending. The results of this study indicate the importance of proper budget allocation to improve the welfare of the community, especially in the sector of goods and services spending that has the greatest influence.

Keywords: *Government Expenditure, Employee Expenditure, Goods and Services Expenditure, Capital Expenditure, Public Welfare, and Human Development Index (HDI)*

INTRODUCTION

Indonesia is currently a developing country that seeks to improve the welfare of society. To improve the welfare of the community can be done with a variety of fiscal policies, one of which is government spending. Government expenditure is the consumption of goods and services carried out by the government and financing carried out by the government for the purposes of government administration and development activities (Wahyuni et al., 2014).

Government spending is one of the important instruments in the state budget (APBN) to increase economic growth evenly. Expenditures made by the government cover various sectors such as infrastructure, education, health, and public services. Each type of shopping has a different function and impact on the economic development of a region.

At the regional level, local government spending is an indicator to measure the performance of development and public services. surabaya, which is currently one of the largest cities in indonesia, each year always allocates its budget to fund various programs. In the allocation of government expenditure budget there are several components that become the calculation of employee expenditure, expenditure on goods and services, and capital expenditure. With that, it is necessary to analyze how the allocation of government spending affects the welfare of society.

Employee spending itself is employee spending is compensation spending, both in the form of money and goods determined based on laws and regulations given to state officials, civil servants (PNS), and employees employed by the government who are not yet civil servants in return for work that has been carried out where the work is related to capital formation (Musthafa, 2022). In employee spending, there are also indicators, namely salaries and benefits, additional income, and honorarium of the organizing committee.

In addition, expenditure on goods and services is the expenditure of the budget for the procurement of goods and services that have a benefit value of less than 12 months in carrying out the activities of government programs and activities (Gosal et al., 2022). When spending on goods and services is met properly, government employees will be able to maximize public services (Pangestu, 2018). While capital expenditure is the expenditure of local government that provides benefits for more than one year to acquire or increase an asset. According to data from the Directorate General of financial balance of the Ministry of finance, the development of local taxes can be seen during the period 2015-2024 in the table, as follows:

Table 1 Government Expenditure on Directorate General of Financial Balance of The Ministry of Finance 2015-2024

Year	Employee Spending	Spending for Goods and Services	Capital Expenditure
2015	2.326,42 M	2.125,97 M	1.785,13 M
2016	2.540,96 M	2.586,69 M	1.789,39 M
2017	2.396,24 M	2.885,39 M	2.517,89 M
2018	1.857,79 M	3.790,41 M	2.340,06 M
2019	2.067,88 M	4.239,07 M	2.754,30 M
2020	2.064,36 M	4.025,37 M	1.583,66 M

2021	2.353,63 M	4.259,97 M	1.016,34 M
2022	2.460,37 M	4.892,06 M	1.766,03 M
2023	2.540,67 M	4.835,93 M	1.671,90 M
2024	2.850,79 M	4.488,78 M	1.834,81 M

According to Directorate General of Financial Balance of The Ministry of Finance 2015-2024

Based on the data obtained, it can be seen the trend of Surabaya city government expenditure allocation during the period 2015-2024. Employee spending tends to be stable with slight fluctuations, where there was a decrease in 2018 but then increased consistently until 2024. Spending on goods and services showed an increasing trend from 2015 to 2022, with a slight decline in 2023 and 2024. Meanwhile, capital expenditure showed significant fluctuations, with a sharp decline in 2020-2021 due to the COVID-19 pandemic, but then began to increase again in 2022-2024.

Community is an important indicator in assessing the success of the welfare of regional development. The welfare of the community itself can be measured by the Human Development Index (HDI) using 3 indicators, namely education, health, and income. Therefore, public welfare is not only seen from the influence of local taxes, but also the allocation and efficiency of their use. Because if local taxes are used properly, then the quality of life of people will improve overall. Here is the HDI data that can be used as a reference to determine the welfare of the community.

Table 2 Human Development Index (HDI) on BPS 2015-2024

Year	Human Development Index (HDI)
2015	79,47
2016	80,39
2017	81,07
2018	81,74
2019	82,22
2020	82,76
2021	82,94
2022	83,32
2023	83,99
2024	84,69

According to BPS Data for 2015-2024

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The Human Development Index (HDI) of Surabaya city shows a consistent increase every year, from 79.47% in 2015 to 84.69% in 2024. This shows an increase in the welfare of Surabaya during the period. This increase does not come out of the three important indicators in HDI, namely education, health, and income. The success of the three indicators in Surabaya is evidenced by various efforts. In education there are free education and scholarships such as public schools at the elementary to high school level education is free and there is a "tough Youth Scholarship". In health, there is ease of public access to hospitals or health care facilities, in addition to BPJS, there is a program (R1N1) meaning RW 1 Nakes 1. In revenue, there is a strengthening in strengthening the competitiveness of MSMEs through digital marketing such as through workshops. This causes the welfare of the people of Surabaya to increase due to increased knowledge from the facilitation of Education, healthier living due to easier access to health, and the existence of a more decent standard of living to make the community more prosperous.

With the government spending is quite high and the level of welfare of Surabaya is increasing year by year. Therefore, the purpose of this study was to analysis the effect of government expenditure allocation on the welfare of Surabaya.

METHOD

This research method uses a quantitative approach by using secondary data obtained from the Directorate General of tax Finance Surabaya and the Central Bureau of Statistics Surabaya during the year 2015-2024. The data that has been collected will be analyzed using the help of SPSS tools to statistically process the data according to the purpose of this study.

Variables in this study consist of independent variables and dependent variables. The independent variables consist of employee expenditure (X_1), expenditure on goods and services (X_2), and capital expenditure (x_2). While the dependent variable is the welfare of the community (Y) which is measured using the Human Development Index (HDI).

The Model used in this study is multiple linear regression analysis with the following equation:

$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + e$

Description:

Y = Community welfare (IPM)

α = Constants

$\beta_1, \beta_2, \beta_3$ = Regression coefficients

X_1 = Employee Spending

X_2 = Spending for goods and services

X_3 = Capital Expenditure

e = Error term

To ensure that the regression model used has unbiased results, the classical assumption test which includes normality test, multicollinearity test, heteroscedasticity test, and autocorrelation test. In addition, to test the research

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hypothesis used Partial Test (t test), simultaneous test (F test), and the coefficient of determination (R^2).

RESULTS AND DISCUSSION

Table 3 Coefficient of Determination

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.973[a]	.946	.919	.0024388

a. Predictors: (Constant), Modal, Barang_Jasa, Pegawai

Source: Processed Data SPSS

Coefficient of Determination (R^2)

The analysis results show a coefficient of determination (R^2) value of 0.946, which means that 94.6% of the variation in HDI can be explained by the variables of employee expenses, expenditures on goods and services, and capital expenditures. The remaining 5.4% is explained by other variables not included in the research model.

Table 4 Simultaneous Test

ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	.001	3	.000	35.113	<.001[b]
	Residual	.000	6	.000		
	Total	.001	9			

a. Dependent Variable: IPM

b. Predictors: (Constant), Modal, Barang_Jasa, Pegawai

Source: Processed Data SPSS

Simultaneous Test (F Test)

The F test results show an F value of 35.113 with a significance of 0.001 (p < 0.05), meaning that, simultaneously, employee expenses, expenditures on goods and services, and capital expenditures have a significant effect on the Human Development Index (HDI).

Table 5 Multicollinearity Test and Partial Test

Coefficients^a

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	1.332	.112		11.916	<.001		
	Pegawai	.044	.016	.276	2.779	.032	.908	1.101
	Barang_Jasa	.064	.007	.919	9.551	<.001	.969	1.032
	Modal	-.001	.007	-.018	-.179	.864	.881	1.135

a. Dependent Variable: IPM

Source: Processed Data SPSS

Multicollinearity Test

Multicollinearity test results showed that the value of Tolerance for variable employee expenditure is 0.908 (VIF = 1.101), expenditure on goods and services is 0.969 (VIF = 1.032), and capital expenditure is 0.881 (VIF = 1.135). Because all Tolerance values > 0.1 and VIF < 10, it can be concluded that there is no multicollinearity in the regression model.

Partial Test (T test)

The results of the t-test show that:

1. Employee expenses (X_1) have a t-value of 2.779 with a significance level of 0.032 ($p < 0.05$), which means that employee expenses have a positive and significant effect on the Human Development Index (HDI).
2. Expenditures on goods and services (X_2) have a t-value of 9.551 with a significance level of 0.001 ($p < 0.05$), which means that expenditures on goods and services have a positive and significant effect on HDI.
3. Capital expenditure (X_3) has a t-value of 179 with a significance level of 0.864 ($p > 0.05$), which means that capital expenditure has a positive effect, but it is not significant in affecting HDI.

Multiple Linear Regression Analysis

Based on the results of multiple linear regression analysis, the following regression equation is obtained:

$$Y = 1{,}332 + 0{,}044X_1 + 0{,}064X_2 + 0{,}0018X_3$$

The equation can be interpreted as follows:

1. The constant (α) of 1.332 indicates that if all independent variables are equal to zero, the Human Development Index (HDI) of Surabaya City would be 1.332.
2. The coefficient of employee expenditure (β_1) of 0.044 indicates that an increase in employee expenditure by 1 billion rupiahs would increase the HDI by 0.044, assuming other variables remain constant.
3. The coefficient of goods and services expenditure (β_2) of 0.064 indicates that an increase in goods and services expenditure by 1 billion rupiahs would increase the HDI by 0.064, assuming other variables remain constant.
4. The coefficient of capital expenditure (β_3) of 0.001 indicates that an increase in capital expenditure by 1 billion rupiahs would increase the HDI by 0.001, assuming other variables remain constant.

The Effect of Employee Expenses (X_1) on Community Welfare (Y)

The research findings indicate that employee expenses have a positive and significant effect on community welfare, as measured by the Human Development Index (HDI) in Surabaya. This aligns with the study by (Noviyanti & Kiswanto, 2016), which states that employee expenses have a positive impact on community welfare. An increase in employee expenses can improve the quality of public services provided by government officials, thus contributing to an increase in community welfare.

According to Saputra et al. (2019), effectively allocated employee expenses can enhance the performance of government employees in delivering public services. With improved performance, public services are better and contribute to increased community welfare. This is supported by the continuous increase in the HDI of Surabaya each year.

However, Miranti and Suparno (2020) state that excessively high employee expenses may reduce the allocation of funds for other, more productive expenditures, such as capital expenditures. Therefore, the Surabaya city government needs to ensure that the allocation of employee expenses remains efficient and effective in improving community welfare.

The Effect of Expenditures on Goods and Services (X_2) on Community Welfare (Y)

The research findings indicate that expenditures on goods and services have a positive and significant effect on community welfare, measured by the Human Development Index (HDI) in Surabaya. This is consistent with the study by Dewi and Purbadharmaja (2018), which states that expenditures on goods and services have a positive effect on the quality of public services, which in turn impacts the improvement of community welfare.

(Pangestu, 2018)also argues that when expenditures on goods and services are adequately met, government employees can maximize public service delivery. This improvement in public services has a direct impact on increasing community welfare. This is in line with the findings of Sasana (2021), who states that expenditures on goods and services allocated to development programs can enhance community welfare.

The data obtained shows that the trend of expenditures on goods and services in Surabaya has been steadily increasing from 2015 to 2022, with a slight decline in 2023 and 2024. This increase aligns with the rise in the HDI of Surabaya, which has also consistently improved each year. This indicates that the allocation of expenditures on goods and services by the Surabaya city government is appropriate and has a positive impact on community welfare.

The effect of Capital Expenditure (X_3) on Community Welfare (Y)

The research findings show that capital expenditure has a positive but insignificant effect on community welfare, measured by the Human Development Index (HDI) in Surabaya. This result differs from the study conducted by (Susilowati & Adianita, 2023), which found that capital expenditure has a positive and significant effect on community welfare.

According to Rahmawati and Suryono (2023), capital expenditure allocated for infrastructure development can improve public access to facilities such as roads, bridges, schools, and hospitals. This improvement in access can contribute to increased community welfare. However, in this study, the effect of capital expenditure on community welfare is not significant.

Several factors may explain this. First, according to Pratama and Indrajaya (2022), capital expenditure takes a longer time to show its impact on community welfare compared to employee expenses and expenditures on goods and services. Second, based on the data collected, there was a sharp decline in Surabaya's capital expenditure in 2020-2021 due to the COVID-19 pandemic. This decline may have reduced the effectiveness of capital expenditure in improving community welfare.

Widjajanti et al. (2018) also state that the effectiveness of capital expenditure in improving community welfare depends on the accuracy of budget allocation and the quality of program implementation. Therefore, the Surabaya city government needs to improve the effectiveness and efficiency of capital expenditure allocation to provide a more significant impact on community welfare.

The effect of Government Expenditures (X) on Community Welfare (Y)

The results showed that simultaneously, spending on employees, spending on goods and services, and capital spending significantly affect the welfare of the community as measured by the HDI in Surabaya. This is in line with research conducted by (Wahyuni et al., 2014) which states that government spending has an important role in improving the welfare of society.

According to (Todaro & Smith, 2015), government spending allocated to productive sectors such as education, health, and infrastructure can improve the quality of human resources and the welfare of society. This is supported by Astuti's (2017) research which states that government spending allocated to development programs can improve people's welfare.

From the analysis of the coefficient of determination (R^2) of 0.946, it can be concluded that 94.6% of the variation in public welfare can be explained by the variables of employee expenditure, expenditure on goods and services, and capital expenditure. This shows that government spending has a very important role in improving the welfare of the people in Surabaya.

CONCLUSION

Based on the results of research and discussion that has been done, some conclusions can be drawn as follows:

1. Employee spending has a positive and significant effect on public welfare as measured by HDI in Surabaya. This shows that an increase in employee spending allocation can improve the quality of public services and have an impact on improving public welfare.
2. Spending on goods and services has a positive and significant effect on public welfare as measured by HDI in Surabaya. This shows that an increase in the allocation of goods and services can improve the quality of

public services and development programs that have an impact on improving public welfare.

3. Capital expenditure has a positive but insignificant effect on the welfare of the community as measured by HDI in Surabaya. This shows that the increase in capital expenditure allocation has not had a significant impact on the welfare of the community in the short term.

4. Simultaneously, employee spending, goods and services spending, and capital spending significantly affect the welfare of the community as measured by the HDI in Surabaya. This shows that government spending has a very important role in improving public welfare.

5. Of the three independent variables, spending on goods and services has the greatest influence on the welfare of the people in Surabaya. This shows that the proper allocation of goods and services expenditure can have a greater impact on public welfare than employee and capital expenditure.

SUGGESTIONS

Based on these conclusions, some suggestions can be given as follows:

1. Surabaya city government is expected to maintain and increase the allocation of employee spending and spending on goods and services that are proven to have a significant influence on the welfare of the community.

2. Surabaya city government is expected to improve the effectiveness and efficiency of capital expenditure allocation in order to provide a more significant impact on public welfare.

3. Further research is expected to add other variables that can affect people's well-being, such as investment, inflation, and economic growth, and expand the research period to obtain more comprehensive results.

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