# Regional Expenditure Dynamics and its Impact on Economic Growth: Magetan Regency 2010-2019

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## Abstract

*This article presents the research results that aim to explain the impact of regional spending on economic growth in Magetan Regency 2010–2019 by utilizing secondary data published by the Central Bureau of Statistics (BPS). Regional spending is district government spending aimed at financing the running of regional administration by the district authority. This study uses an associative quantitative approach. The data analysis technique used is the Pearson Product Moment, using data carried out by some previous tests, namely data quality tests in the form of validity and reliability as well as data suitability tests or classic assumption tests. The statistical test produces a Pearson Product Moment correlation rate of -0.788. Furthermore, the significance test using the t-test produces a t-count of -3.61, lower than the t-table of 1.833. These results indicate that regional expenditure has a negative effect on economic growth, meaning that if regional expenditure increases, economic growth decreases. It contradicts the theory that the higher the regional spending, the higher the economic growth. A deeper search through a series of in-depth interviews found two important factors causing this negative correlation. First, most office workers, both in the public and private sectors, spend their funds, both for household consumption and for investment, outside the Magetan Regency area, likewise with the consumption behavior of the Magetan Regency government and the recipients of construction work from the Magetan Regency government and from the private sector. They also spend funds to procure tools, machines, and building materials outside Magetan Regency.*

*Keywords*: economic growth; regional spending; Magetan Regency

## INTRODUCTION

National development has aspirations to form a prosperous and just society. Realizing community welfare through the national development process must pay attention to the conditions of each region in order to achieve equitable development because each region has its own potential and characteristics. Therefore, regional development is needed to support the success of national development. Regional economic development is one of the scopes of regional development. Regional economic development aims to create job opportunities and develop a region's economy by holding local government cooperation with the community and local government cooperation with the private sector to process natural resources whose results can be seen from economic growth (Adisasmita, 2011). According to Hutington (1987, in Frisdiantara & Mukhlis, 2018: 20), economic development aims to achieve economic growth. Therefore, regional development can be measured and seen through economic growth.

Economic growth can be seen through the level of production of goods and services from year to year. According to Sukirno (2015), economic growth is the rate of growth

in the production of goods and services and there is a change in people's prosperity for the better. An increase in prosperity is created from an increase in production activities which can be an opportunity to create employment opportunities. So that it can reduce the unemployment rate to the maximum, and increase people's income. With an increase in community income, the community can reach facilities and increase the purchasing power of needs, so that the community can achieve prosperity (Ansar, et al., 2021: 70). In addition, an increase in positive economic growth can attract investors to invest in countries or regions, so that the more capital available the more job opportunities are offered (Zahari, 2017: 181).

Economic growth theories that discuss the factors of economic growth include classical theory, neo-classical theory, and Keynesian theory. Adam Smith's classic theory states that factors for economic growth include Natural Resources (SDA), population growth, and capital accumulation (Hasan, et al., 2020: 5). The neo-classical Sollow Swan theory of economic growth is due to production factors and exogenous factors. Factors of production include the amount of labor and capital accumulation, while technological progress is an exogenous factor (Anggara & Sumantri, 2016: 48). Based on Keynesian theory, economic growth can be influenced by the amount of expenditure for household consumption (C), expenditure on investment (I), government expenditure (G), and net exports (X-M) with the equation Y=C+I+G+(X-M) ( Azwar, 2016: 155).

Government spending consists of three main items grouped into expenditures, namely 1) for consumption in the form of salaries, spending on goods and services; 2) for investment or more in physical form; 3) for transfer payment (Noor, 2015: 258). According to Djaenuri and Enceng (2018), the three groups of budget items are included in the budget. This expenditure can be carried out by the central government as stated in the APBN (State Revenue and Expenditure Budget) as well as expenditure made by regional governments that came from APBD (Regional Revenue and Expenditure Budget). Therefore, in this study, the intended government spending is regional spending. The following is a comparison of economic growth factors in Table 1.

**Table 1 Comparison of economic growth factors in 2019**

| Region | Regional shopping | Total population | Labor | Household Consumption Expenditure (Million) |
|---|---|---|---|---|
| 2018 | 1.716.126.360.246,00 | 691.939 | 377.716 | 9.172.090,77 |
| 2019 | 1.984.643.458.389,00 | 698.250 | 355.762 | 9.602.420,81 |
| **Growth** | **15,65%** | **0,91%** | **-5,81%** | **4,69%** |

Source: BPS Magetan, data processing

The table above shows that the most prominent factor is regional spending growth.

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The growth in regional spending has increased quite a lot compared to others, indicating that the regional government is trying to encourage services and achieve community prosperity. In addition, regional expenditure in Magetan Regency has a better expenditure ratio among districts in the Madiun Residency. The expenditure ratio is the comparison of Indirect Expenditure (IE) and Direct Expenditure (DE). The following comparison of spending in Magetan Regency is listed in Table 2.

**Table 2 Ratio types of spending**

| Region Name | BTL:BL ratio |
| --- | --- |
| Ponorogo | 60,40:39,60 |
| Magetan | 57,43:42,57 |
| Ngawi | 59,34:40,66 |
| Pacitan | 60,46:39,54 |
| Madison | 59,74:40,26 |

Source: BPS compilation, data processing

It can be seen that the ratio of direct expenditure in Magetan Regency has higher ratio than in other districts. Direct spending is used for regional investment which provides great opportunities for the sustainability of the regional economy. Therefore, researchers are interested in studying regional spending as a factor of economic growth.

The theory of the relationship between the development of government spending and the stages of economic development was also developed by Rostow and Musgrave, namely 1) in the initial stage, government investment is used to build infrastructure; 2) medium stage, private investment is increasingly dominating, but government investment is needed to boost economic growth and to overcome market failures; and 3) advanced stage, government investment switches to social activities (Mangkoesoebroto, 2011). Based on this theory, economic development cannot be separated from the role of government spending (spending) which is part of fiscal policy.

Regional spending can increase economic growth through purchases or consumption made by the government or the public who receive money or salaries from the regional budget and are carried out within the region. Government spending, such as those used to procure tools and machinery, is then spent in the region, so that it can affect increased production on demand. In addition, government spending can indirectly be carried out by employees, such as salaries received by employees, then spent, and can affect the demand for goods and services which has an impact on increasing the production of goods and services. Therefore, the greater the public expenditure issued, the more economic activity will increase at the central and regional levels (Nourmanita, 2016: 32).

Research on the topic of regional spending and economic growth has been studied by several previous studies. The findings by Haryanto (2013) with an individual analysis of direct spending and indirect spending show a unidirectional and significant effect on the economic growth of districts/cities in Central Java Province. Likewise, the expenditure variable tested simultaneously has a significant effect on economic growth.

M. Zahari MS (2017) also conducted the same research with the results of Jambi Province's regional financial capacity in 2010-2016 being relatively low, the economic growth rate of Jambi Province tended to fluctuate and the final conclusion stated that there was a unidirectional and significant influence between government spending on economic growth. Ari Mulyanta Ginting (2018) also conducted research in the districts/cities of the Special Province of Yogyakarta with data for 2011-2015. His research shows that capital spending, especially spending on education, has a significant effect on economic growth, as well as spending on the health sector has a positive effect on economic growth but is not significant. Differences in results with the same study topic are very possible due to different places and times of research. This is influenced by the conditions of each regional expenditure and regional economic growth.

Economic growth in a region does not always experience a sustainable increase. Economic growth is still a major problem in macroeconomics because there are still many regions that experience a decline in economic growth from time to time or experience more frequent fluctuations. This is supported by the results of Nuraini's research (2017) using a Klassen typology analysis which divides four regional characteristics based on economic growth. The results showed that only a few areas in East Java Province had good economic growth, but there were several areas with low economic growth. 38 regencies/cities in East Java are developed but depressed, 2 regencies/cities are relatively underdeveloped, 15 regencies/cities are developed and growing rapidly, and 4 regencies/cities are under the category of developing areas. It can be concluded that districts/cities in East Java are on average in the category of developed but depressed regions, meaning that per capita income in an area is high, on the other hand, economic growth is slowing down due to pressure from the main activities of the area (Sun'an & Senuk, 2015). In research conducted by Nuraini (2017) it shows that Magetan Regency is included in the developed but depressed areas. The following is the economic growth of the districts/cities in the western part of East Java Province in Table 3.

**Table 3 Economic growth in the western part of East Java in 2011-2019**

| Region name | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | Rate-rate |
|---|---|---|---|---|---|---|---|---|---|---|
| Bojonegoro | 10,39 | 3,77 | 2,37 | 2,29 | 17,48 | 21,95 | 10,25 | 4,40 | 6,34 | 8,804 |
| Madison City | 6,79 | 6,83 | 7,68 | 6,62 | 6,15 | 5,90 | 5,94 | 5,96 | 5,69 | 6,396 |
| Lamongan | 6,67 | 6,92 | 6,93 | 6,30 | 5,77 | 5,86 | 5,50 | 5,45 | 5,44 | 6,093 |
| **East Java** | **6,44** | **6,69** | **6,08** | **5,86** | **5,44** | **5,57** | **5,46** | **5,50** | **5,52** | **5,840** |
| Tulungagung | 6,37 | 6,47 | 6,13 | 5,46 | 4,99 | 5,02 | 5,08 | 5,21 | 5,32 | 5,561 |
| Ngawi | 6,11 | 6,63 | 5,50 | 5,82 | 5,08 | 5,21 | 5,07 | 5,21 | 5,05 | 5,520 |
| Madison | 6,02 | 6,12 | 5,67 | 5,34 | 5,26 | 5,27 | 5,42 | 5,10 | 5,42 | 5,513 |
| Pacitan | 6,29 | 6,33 | 5,87 | 5,21 | 5,10 | 5,21 | 4,98 | 5,51 | 5,08 | 5,509 |

| Region name | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | Rate-rate |
|---|---|---|---|---|---|---|---|---|---|---|
| Tuban | 6,84 | 6,29 | 5,84 | 5,47 | 4,89 | 4,90 | 4,98 | 5,17 | 5,14 | 5,502 |
| Trenggalek | 5,94 | 6,21 | 6,00 | 5,28 | 5,03 | 5,00 | 5,02 | 5,03 | 5,08 | 5,399 |
| sleepy | 5,75 | 5,85 | 5,40 | 5,10 | 5,18 | 5,28 | 5,26 | 5,39 | 5,36 | 5,397 |
| Kediri | 6,03 | 6,11 | 5,82 | 5,32 | 4,88 | 5,02 | 4,90 | 5,08 | 5,07 | 5,359 |
| **Region name** | **2011** | **2012** | **2013** | **2014** | **2015** | **2016** | **2017** | **2018** | **2019** | **Rate-rate** |
| **Magetan** | **5,64** | **5,79** | **5,85** | **5,10** | **5,17** | **5,31** | **5,09** | **5,21** | **5,04** | **5,356** |
| Ponorogo | 5,70 | 5,98 | 5,14 | 5,21 | 5,25 | 5,29 | 5,10 | 5,31 | 5,01 | 5,332 |
| City of Kediri | 4,29 | 5,27 | 3,52 | 5,85 | 5,36 | 5,54 | 5,14 | 5,43 | 5,47 | 5,097 |

Source: BPS East Java

The average economic growth in Magetan Regency was smaller than the average economic growth in East Java during this period. Based on the residency, Magetan Regency includes the Madiun Residency which consists of the Regencies of Madiun, Magetan, Ngawi, Ponorogo, Pacitan and Madiun City. In one Madiun Residency, Magetan Regency is considered low after Ponorogo Regency, but if you look at it every year it is almost below the economic growth of Magetan Regency. and during 2011-2019 it tends to fluctuate from year to year.

Magetan Regency also has an HDI (Human Development Index) which increases every year from 2010-2019 and is the highest among districts in the Madiun Residency (BPS Jawa Timur, 2020). An increased HDI can be interpreted as a change in the quality of human resources in Magetan Regency. The quality of human resources as capital can support the economy of Magetan Regency through the level of work productivity as measured by income per capita.

Seeing the facts, the condition of regional spending is still facing many financial management problems, especially regarding ineffective expenditure budgets. This is caused by direct spending being smaller than indirect spending, as happened in Magetan Regency where regional spending has not been effective as found by Nourmanita's research (2016). In his research, the effectiveness of the spending budget in Magetan Regency tends to be unhealthy and ineffective because indirect spending, especially personnel spending, still dominates and capital spending on goods and/or services is low, and budget allocations are not in accordance with the potential and needs of the people of Magetan Regency. It can be seen in Table 4 the development of regional expenditure realization in Magetan Regency.

**Table 4 Realization of regional spending in Magetan Regency in 2010-2019**

| Year | Shopping Realization | Indirect Shopping | Shop Direct |
|---|---|---|---|
| 2010 | 729.724.335.085,00 | 590.340.835.348,00 | 189.155.534.105,00 |
| 2011 | 960.619.094.770,96 | 656.149.460.116,65 | 304.469.634.654,31 |
| 2012 | 1.064.653.962.946,00 | 769.285.749.453,00 | 295.368.213.493,00 |
| 2013 | 1.188.654.360.770,91 | 841.556.579.055,00 | 347.097.781.715,91 |

| Year | Shopping Realization | Indirect Shopping | Shop Direct |
|------|------|------|------|
| 2014 | 1.378.803.787.285,00 | 916.240.593.489,00 | 462.563.193.796,00 |
| 2015 | 1.589.421.037.874,09 | 1.081.592.885.577,79 | 507.828.152.296,30 |
| 2016 | 1.775.919.341.370,00 | 1.152.503.173.630,00 | 623.416.224.420,00 |
| 2017 | 1.642.678.958.519,00 | 1.091.763.515.700,00 | 550.915.442.820,00 |
| 2018 | 1.716.126.360.246,00 | 1.088.930.417.980,00 | 627.195.942.260,00 |
| 2019 | 1.984.643.458.389,00 | 1.139.756.807.850,00 | 844.819.031.720,00 |

Source: BPS Magetan, data processing

Regional spending for Magetan Regency in 2010-2019 every year is still dominated by indirect spending, especially personnel spending. Personnel spending only has a short-term effect on economic growth because the budget is only for compensation spending in the form of salaries and benefits, as well as other income given to Civil Servants (PNS) whose results are only enjoyed by PNS who are part of the community. It is different from direct spending which is used to encourage the improvement of the quality of public facilities and infrastructure or direct programs that can increase productivity for the community and regional actors, which can have an impact on the regional economy (Ishak, 2017: 58)

The next fact is that the increase in regional spending every year is not followed by economic growth in Magetan Regency which tends to fluctuate. It has been discussed previously that regional spending is aimed at development, one of which is economic development which aims to achieve economic growth. The statement that has been presented made the researcher interested in conducting research with the title "The effect of regional spending on economic growth in Magetan Regency in 2010-2019".

The problems in the background can be drawn into the formulation of the problem, namely "Is there an effect of regional spending on the economic growth of Magetan Regency in 2010-2019?". Based on the formulation of the problem, the aim of this research is to explain the effect of regional spending on the economic growth of Magetan Regency in 2010-2019. This research hypothesis can be written, namely:

a. $H_0$: Regional spending has no positive effect on economic growth;
b. $H_1$: Regional spending has a positive effect on economic growth.

**METHOD**

The method used is an associative quantitative approach. Based on the time dimension, including time series or longitudinal research. The research location is located in Magetan Regency because the economic growth of Magetan Regency is one of the lowest in the Madiun Residency after Ponorogo. The population used is financial reports related to regional spending and reports on economic growth in Magetan Regency for 2010-2019. The sample used is financial reports related to regional spending and reports on economic growth in Magetan Regency for 2010-2019. *Probability sampling* was selected as a sampling technique with total sampling because the population is less than

30. Data sources were obtained from the websites of the Magetan Regency BPS and East Java Province BPS. Data can be obtained through documentation and interviews. Interviews were conducted to confirm the results of the statistical analysis.

The operational definition in this study includes two variables, namely the regional expenditure variable as the independent variable and the economic growth variable as the dependent variable. The total regional expenditure variable is in rupiah units with a ratio scale. The economic growth variable is measured based on the GRDP growth rate at constant prices in 2010 with an interval scale.

The data obtained will be analyzed using *Pearson product moment*. Terms of use analysis *Pearson product moment,* the data must first meet the classical assumption test, namely the normality test and the linearity test. The process of data analysis is assisted by using the *software* SPSS Version 22.

## RESULTS AND DISCUSSION
### Classic assumption test

Before using analysis *Pearson product moment* must fulfill the normality test and linearity test because this type of research is included in parametric statistics. If the data meets the requirements for the normality test and the linearity test, the analysis test can be continued *Pearson product moment*.

### Normality test

The normality test functions to test whether the distribution of data is normally distributed or not because in the parametric test, the data must meet normal distribution (Purnomo, 2017: 83). Normality test can use Kolmogorv Smirnov, value *asymp.Sig.(2-tailed)* as the result of the data normality test. The data is normally distributed, if it meets a significance value > 0.05. The results of the data processing of the Kolmogorov Smirnov normality test yield values *asymp.Sig.(2-tailed)* 0.200. The significance value shows $0.200 > 0.05$, meaning that the data meets a normal distribution.

### Linearity Test

The linearity test serves to determine the relationship between variables and whether they have a linear relationship or not (Purnomo, 2017). Linearity test using *test of linearity* by looking at the value *linearity* on the results of data processing. The data can be said to be linear with the provisions of the significance value *linearity* < 0.05. The linearity test obtained value *linearity* of 0.03. The significance value shows $0.03 < 0.05$, meaning that the two variables have a linear relationship. So that analysis can be carried out using data analysis *pearson product moment.*

### Hypothesis testing

#### Correlation Coefficient Test (r)

*Pearson product moment* is used to determine the level of relationship between regional spending and economic growth. Correlation *Pearson product moment* is between $-1 \leq r \leq 1$, if r is 0 then the two variables are not linearly correlated, if r is close to -1 then the direction of the relationship between the two variables is perfectly negative, if r is close to 1 then the direction of the relationship between the two variables is perfectly

positive. According to Sugiyono (2019: 274) the classification of relationship levels is grouped into, namely a) 0.00-0.199 means very low correlation; b) 0.20-0.399 means low correlation; c) 0.40-0.599 means moderate correlation; d) 0.60-0.799 means a strong correlation and; e) 0.80-1.00 means a very strong correlation. Here are the results of the analysis *Pearson product moment* in Table 5.

**Table 5 Test the correlation coefficient**

| *Correlations* | | Belanja daerah | Pertumbuhan ekonomi |
|---|---|---|---|
| Belanja daerah | *Pearson Correlation* | 1 | -,788** |
| | *Sig. (1-tailed)* | | ,003 |
| | N | 10 | 10 |

**. *Correlation is significant at the 0.01 level (1-tailed).*

Sumber: *Output* SPSS

Based on the table above, the value of regional spending on economic growth is -0.788. When viewed from the direction of the relationship, the result is close to -1, meaning that it has a negative relationship direction. When regional spending increases, economic growth declines.

Based on the level of closeness of the relationship between the two variables, it is included in the category of a strong relationship. It can be concluded that from the correlation test *Pearson product moment,* the relationship between the two variables in this study is negatively related and strong.

**Uji-t**

The t-test serves to test the significance of the effect of the independent variables on regional spending on economic growth variables. There are two ways to do the t-test, namely first to compare the probability value with a significant level ($\alpha$) of 0.05, and the t-test is done by comparing the t-value$_{count}$ with t value$_{table}$ (Siregar, 2013). H's terms and conditions$_1$ are accepted, if a) probability value < level of significance ($\alpha$), b) t$_{count}$ > t$_{table}$. The following are the results of the t-test in Table 6.

**Table 6 T-test results**

| | | **Coefficients$^a$** | | | | |
|---|---|---|---|---|---|---|
| | | *Unstandardized Coefficients* | | *Standardized Coefficients* | | |
| Model | | B | Std. Error | Beta | T | Sig. |
| 1 | (Constant) | 6,230 | ,244 | | 25,570 | ,000 |
| | Belanja daerah | -,060 | ,017 | -,788 | -3,616 | ,007 |

a. *Dependent Variable*: Pertumbuhan ekonomi

Sumber: *Output* SPSS

The t-test results above show that t$_{count}$ of -3.616. t value$_{table}$1.833 was obtained from df=n-k=10-1=9, with a significance value ($\alpha$) of 0.05 in the one-tailed test. It can be compared that t$_{count}$ -3,616 < t$_{table}$1.833, meaning accept H$_0$ and rejected H$_1$.

### The coefficient of determination ($R^2$)

The magnitude of the influence of regional expenditure variables on economic growth variables can be explained using the coefficient of determination with a value of $0 < R^2 < 1$ (Ghozali, 2016). Test the coefficient of determination seen by value *R squared* with the following results.

**Table 7 Test the coefficient of determination**

| Measures of Association | | | | |
|---|---|---|---|---|
| | R | R Squared | Eta | Eta Squared |
| Pertumbuhan ekonomi * belanja daerah | -,788 | ,620 | ,989 | ,978 |

Sumber: *Output SPSS*

Mark *R squared* above shows the result of 0.620, meaning that 62% of changes in the variable economic growth can be explained by or derived from regional expenditure variables, while there are other variables not examined in this study that can explain economic growth of 38%.

### Linkage of Regional Spending with Economic Growth

The conclusion from the statistical test results above is that regional spending has no positive effect. Regional spending has a negative effect on economic growth. This is not in line with the theory of Keynes, Rostow, and Musgrave which states that spending can increase economic growth. These findings are also inconsistent with the results of research conducted by Tommy (2013), M. Zahari (2017), Fatimah and Hasbullah (2020) which concluded that regional spending has a positive and significant effect on economic growth.

If there is an increase in regional expenditure, it will cause economic growth to decline, if consumption or spending is carried out in Magetan Regency. This is based on a statement according to Ansar, et al. (2021: 70) that local governments spending budgeted regional spending money both in direct and indirect spending will increase will stimulate new economic activities that create a *multiplier effect* which leads to an increase in GRDP provided that the expenditure is made within the region. Therefore, to strengthen the allegation, it is necessary to conduct additional interviews to confirm the truth of the allegation. This can be the cause of negative influences on regional spending on economic growth in the Magetan Regency.

As previously suspected, the negative effect of regional spending on economic growth is due to people's consumption behavior. Civil servants in Magetan Regency who receive salaries or wages from the budget are more likely to consume outside Magetan Regency. This is in accordance with the results of interviews with 10 civil servants who, on average, spend their salaries outside Magetan Regency more frequently. Spending on civil servant salaries received by civil servants on average for primary (non-staple food), tertiary and secondary needs is often carried out outside Magetan Regency, such as

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Madiun City, because public facilities such as malls and entertainment venues are more diverse and complete. Civil servants who have children who are pursuing higher education prefer to go outside Magetan Regency on the grounds that in Magetan Regency there are still no state universities (PTN).

Likewise, the consumption of direct expenditures, namely capital expenditures such as tools and machinery and electronic equipment, while goods and services such as office equipment and uniforms are purchased on average in Madiun City (Rohmana, D, personal communication, 12 May 2022). Mrs. Rohmana also added that Magetan contractors could still handle the maintenance of small roads, but the province would usually handle the construction of large roads from outside Magetan. As well as for civil servant study permit assignments outside Magetan, such as Ponorogo, Malang, Surabaya, and Solo.

In addition, as published in the nusadaily.com news, a number of local concrete entrepreneurs revealed that building materials for development projects still bring in products from outside the region (Riyanto & Lionita, 2022). Local products are used as reserves if foreign products are still not sufficient for development projects. Therefore, even though the regional expenditure budget increases every year, it does not have a positive effect on economic growth in Magetan Regency because purchases or consumption made using regional spending are not carried out in Magetan Regency.

This is in accordance with the growth of economic activity in the Magetan Regency. The consumption behavior of the people of Magetan Regency will also affect the growth of economic activity which can be seen from the growth of MSMEs, tourism visitors, and the growth in the number of hotels each year in Table 8. Public consumption behavior will affect the demand for goods and services, so that it can create opportunities for the Regency's economic activity to continue grow.

### Table 8 Growth of economic activity in Magetan Regency

| Year | Industry | Tourism Visitors | Hotel |
|------|----------|------------------|-------|
| **2010** | 1,94 | 8,23 | 2,00 |
| **2011** | 2,08 | 3,02 | 2,94 |
| **2012** | 0,24 | 11,11 | -1,90 |
| **2013** | 2,59 | 9,48 | 2,91 |
| **2014** | 1,27 | 13,86 | 2,83 |
| **2015** | 1,39 | 18,96 | -0,92 |
| **2016** | 0,51 | 11,50 | 0,00 |
| **2017** | 3,72 | 27,23 | 29,63 |
| **2018** | 0,17 | -9,99 | 21,43 |
| **2019** | 0,58 | -0,54 | 0,00 |

Source: Magetan Regency BPS Compilation, data processing

Industry growth, the number of visitors, and hotels tend to fluctuate every year. The negative sign above indicates a decrease in the number in that year, so growth becomes negative. In addition, the increase in regional spending was not accompanied by a decrease in unemployment in Magetan Regency. Based on data on the open

unemployment rate in Magetan Regency in 2010-2019 it tends to fluctuate. The unemployment rate can be seen in Table 9 as follows.

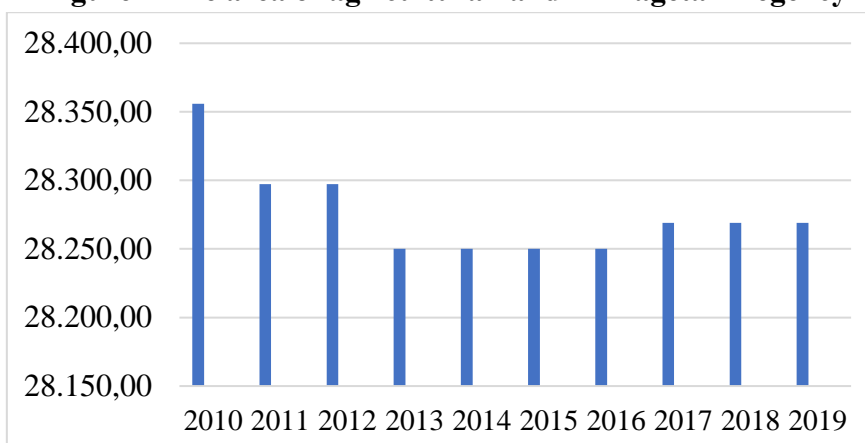**Table 9 Unemployment rate in Magetan Regency**

| Year | Level |
|------|-------|
| 2010 | 2,41 |
| 2011 | 3,16 |
| 2012 | 3,86 |
| 2013 | 3,02 |
| 2014 | 4,28 |
| 2015 | 6,05 |
| 2016 | *No data* |
| 2017 | 3,80 |
| 2018 | 3,92 |
| 2019 | 3,08 |

Source: Magetan Regency BPS Compilation

The table above shows the unemployment rate in Magetan Regency tends to fluctuate. highest in 2015 of 6.05%. The fluctuating unemployment rate will have a decreasing impact on GRDP and economic growth in Magetan Regency.

In addition, it can be caused by a lack of efficiency in managing the budget. The size of the expenditure budget increases every year but is not allocated properly causing a waste of the budget. This is supported by Mahmudi's statement (2020) that economic growth and equity can be achieved by paying attention to each development program that refers to expenditure management, namely aspects of efficiency and effectiveness of budget allocations. The regional budget for agriculture, which is the main sector in Maggetan Regency, is still inadequate, as stated in the 2018-2023 Magetan Regency TPHPKP Service Strategic Plan that there are limited financial support for development and maintenance, as well as limited funds for the procurement of facilities and infrastructure in the agricultural sector. agriculture. In accordance with the findings of Nuraini (2017) regarding economic growth in East Java using a Klassen typology analysis, Magetan Regency is a developed but depressed area. This means that the area is advanced but economic growth tends to slow down due to the main activities in the area. coupled with the agricultural land in Magetan every year decreases. Can be seen in Figure 1 below.

**Figure 1 The area of agricultural land in Magetan Regency**



Source: BPS Magetan Regency

The decline in agricultural land from year to year and the lack of budgetary funds can increase the unemployment rate in Magetan Regency due to decreased employment in agriculture as the main occupation of the Magetan people. Therefore, the greater regional spending in Magetan can have a negative effect on economic growth due to the inaccurate budget allocation for the main sectors in Magetan Regency.

**CONCLUSION**

Based on the results of data analysis, it was concluded that regional spending as a variable X has a negative influence on economic growth as a variable Y. The results of this study have proven that accepting $H_0$ and rejecting $H_1$, means that regional spending has no positive effect on economic growth. Based on further investigation, there is a possibility that this may occur because the average consumption of civil servants in Magetan Regency for their salary is outside Magetan Regency. Likewise, the consumption behavior of the Magetan Regency government which also spends such as procurement of tools and machinery, as well as building materials carried out outside Magetan Regency. However, further research is needed to deepen this assumption. Another cause is the fluctuating unemployment rate and the lack of regional budgets in the main sectors of Magetan Regency.

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