

**EFFECT OF CAPITAL EXPENDITURES AND EMPLOYEE SPENDING  
ON REGIONAL ECONOMIC GROWTH TULANG BAWANG  
DISTRICT (2003-2012)**

**Abstract**

By

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Budgeting is an important stage in preparing the budget as stipulated in the Local Government Work Plan. An ineffective and non performance oriented budget can derail plans that are constructed. There is tendency that the local government when formulating budget pay less attention to outputs and outcomes as well as the impact of the expenses itself to the community in the long term. This study examines the effect of capital expenditure and personnel expenditure to economic growth in the region. Capital expenditures are assumed as expenditure in favor of public interest. While personnel expenses were selected based on the local government where as the executor or the perpetrator is an employee and official policy itself. The influence of both expenditure is then linked to the condition of the region's economic growth.

Economic growth of a region is often used as a macro-economic indicator for the Regional Revenue known as Gross Domestic Product (GDP). GDP illustrates the performance of the economy of a region within a certain time. The object of this study is Tulang Bawang District in the period 2003 to 2012. Using multiple linear regression, this study analyzed the influence of personnel expenditure and capital expenditure simultaneously and partially to the economic growth of Tulang Bawang District.

The result of analysis shows that there is a strong correlation between employees and capital expenditure to GDP. Determination of test also shows that the personnel expenses and capital expenditures affect economic growth by 60% whereas the remaining 40% is influenced by other factors. From the results obtained that the F test personnel expenditure and capital expenditure simultaneously affect the economic growth (GDP). The results of the t test discovers that personnel expenditures have negative effect on GDP while capital expenditure give positive effect on economic growth (GDP). Hence it can be concluded that the local government budget of Tulang Bawang District namely personnel expenses and capital expenditures affect on economic growth (GDP) Tulang Bawang district.

Keywords: Capital Expenditures, Employee Expenses, Economic Growth