



BOOK OF ABSTRACTS

The 23rd Asian Forum on Business Education (AFBE) International Conference
“Reshaping the Future of Digital Economy, Business and Innovation”
12th-13th December, 2019 – Sakala Resort Bali, Indonesia



Hosted by:



Asian Forum on
Business Education



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CHAIRMAN’S MESSAGE

Dear Participants,

It is our great pleasure to welcome you to The 23rd Asian Forum on Business Education (AFBE) International Conference. The topic of the conference is “Reshaping the Future of Digital Economy, Business, and Innovation”. As it is well known that Industrial Revolution 4.0 creates significant changes all over the world. The increase of automation and artificial intelligence have clearly changed the industry. Tasks that were once done by humans gradually can be replaced by engine power. The industrial Revolution 4.0 has forced almost all industries to keep abreast of this digital innovation. Principles of revolution are efficiency (minimizing costs), innovation (new types of business development), and inclusive (trade expansion and new job creation). In Indonesia, some industries are facing the greatest impact of this digitalization which are service industries, particularly in retail and transportation. Therefore, through this conference, we look forward to having researchers, academicians, scientists from across countries to come and share ideas, insights, and knowledge on the Future of Digital Economy, Business, and Innovation.

We would like also to express our sincere thanks and appreciation to our partner, AFBE, Universitas Internasional Semen Indonesia, and our co-host Universitas Muhammadiyah Gresik which make this conference happen. In addition, my sincere gratitude is also expressed to all sponsorships which are PT. Semen Indonesia, PT Makmur Jaya, PT Adi Putro, and PT Anugerah Citra Abadi for their full support in preparations of this conference.

We wish you a productive conference, and hope you enjoy your time in Bali and at AFBE 2019.

Sincerely,
Prof. Devanto S. Pratomo, Ph.D
Chairman AFBE 2019
Faculty of Economics and Business
University of Brawijaya.

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**GENERAL SCHEDULE
Thursday, 12 December 2019**

Time	Activity
07:00-08:30	Registration
08:30-09:30	Opening Ceremony : 1. Chairman: Prof. Devanto Shasta Pratomo., PhD 2. Dean FEB UB: Nurkholis., PhD., Ak 3. President AFBE: Prof. Victor Egan
09:30-09:45	Keynote Speaker : Prof. Tjiptohadi Sawarjuwono., M.Ec., PhD. “Reshaping the Future of Digital Economy, Business, and Innovation”
09:45-10.00	Coffee Break
10.00-11.45	Plenary Session : Prof. Gillian Sullivan-Mort, PhD Prof. Tri Widodo., PhD Ananda Sabil H., PhD “The Role of Innovation and Entrepreneurship Business Education” Moderator: Dr. rer.pol. Ferry Prasetya
11.45-12.50	Lunch
12:50–16.50	Parallel Session
16:50-17.00	Closing Remark & Best Paper Awards

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“Reshaping the Future of Digital Economy, Business and Innovation”**

PARALLEL SCHEDULE
The 23rd Asian Forum on Business Education International Conference
ROOM 1 – December 12th, 2019
Moderator : Alfina

No	Time Start	Time End	Name	Title
1	12:50:00 PM	1:05:00 PM	Andriati Fitrianingrum	The Impacts of Conflicting Objectives on The Company Business Performance
2	1:05:00 PM	1:20:00 PM	Ratih Hendayani	Do the Printing SMEs have Intention to use e-SCM?
3	1:20:00 PM	1:35:00 PM	Melyana Lestari	Factors that Affect Behavioral Intention to Purchase Virtual Items on Free to Play Games Users in Jabodetabek
4	1:35:00 PM	1:50:00 PM	Tuwanku Aria Auliandri	IMPACT OF PERCEIVED ORGANIZATIONAL CAREER MANAGEMENT ON CAREER SATISFACTION: CAREER ADAPTATION AS A MODERATION
5	1:50:00 PM	2:05:00 PM	Jovi Sulistiawan, Tuwanku Aria Auliandri	Career Paradox: Movement Capital, Employability and Turnover Intentions among Millennials
6	2:05:00 PM	2:20:00 PM	Somariah Fitriani	THE SYNERGY EFFECT OF "ABCGM" FOR SMALL AND MEDIUM-SIZED ENTERPRISES
7	2:20:00 PM	2:35:00 PM	Jovi Sulistiawan	PSYCHOLOGICAL CONTRACT, INNOVATIVE WORK BEHAVIOR AND KNOWLEDGE SHARING INTENTION: THE ROLE OF WORK ENGAGEMENT AND JOB RESOURCES
8	2:35:00 PM	2:50:00 PM	Young, S., Kennett	The 3 Es: Experience, Engagement and Employability
9	2:50:00 PM	3:05:00 PM	Dr Apollo S. Nsubuga-Kyobe	The role, impact and usage of Information Technology in Higher Education Institutions (HEIs) in Pakistan
10	3:05:00 PM	3:20:00 PM	Moh. Agus Salim Monoarfa	The role of profitability as a mediator between good corporate governance and firm value
11	3:20:00 PM	3:35:00 PM	Robiyati Podungge	Teachers Competencies and Students Academic Performances
12	3:35:00 PM	3:50:00 PM	Ramlan Amir Isa	THE DEVELOPMENT OF MARKETING DISTRIBUTION CHANNELS ON COCOA FARMER GROUPS IN POHUWATO – GORONTALO PROVINCE
13	3:50:00 PM	4:05:00 PM	Muhammad Dachyar	Improvement in Emergency Medical Services using Internet of Things (IoT). Hospital Emergency Department Case: a BPR Approach
14	4:05:00 PM	4:20:00 PM	Muhammad Dachyar	The Decision Model of Internet of Things (IoT) Solutions for Healthcare based on Risk and Challenge Factors
15	4:20:00 PM	4:35:00 PM	Muhammad Dachyar	Collaborating Internet of Things (IoT) and Electronic Medical Record (EMR) to Reduce Healthcare Waiting time. Outpatient Cardiology Service Case: A BPR Approach

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PARALLEL SCHEDULE
The 23rd Asian Forum on Business Education International Conference
ROOM 2 – December 12th , 2019
Moderator: Nur Elisa Faizaty

No	Time Start	Time End	Name	Title
1	12:50:00 PM	1:05:00 PM	Faisol	DOES THE EFFECTIVENESS OF THE GOVERNMENT EXPENDITURE ACCELERATE ECONOMIC GROWTH?
2	1:05:00 PM	1:20:00 PM	DODI DERMAWAN	ASYMMETRIC INFORMATION OF THE SHARING ECONOMY
3	1:20:00 PM	1:35:00 PM	Evie Pratiwi	Inter-Sectoral Labor Mobility in Indonesia
4	1:35:00 PM	1:50:00 PM	Viviane Manoppo	THE NATIONAL PARK BUNAKEN ECONOMIC MODEL OF NORTH SULAWESI IN ORDER TO IMPROVE ECONOMIC STRUCTURE PERFORMANCE AND CHANGES IN ECONOMIC STRUCTURE AND COMMUNITY WELFARE
5	1:50:00 PM	2:05:00 PM	Nurdewi	Investasi, Corporate Social (CSR) dan Pemberdayaan Ekonomi Masyarakat ?
6	2:05:00 PM	2:20:00 PM	Ahmed Annegrat	The Effect of Foreign Direct Investment on Economic Growth in Algeria and Jordan
7	2:20:00 PM	2:35:00 PM	Erly Leiwakabessy	The Effect of Government Expenditure and Investment to the Structural Transformation and Economic Growth in Maluku Province
8	2:35:00 PM	2:50:00 PM	Muhammad Ilham Razak	Rural Women Empowerment as the Strategy to Enhance the Indonesian Digital Economy
9	2:50:00 PM	3:05:00 PM	Wardis Girsang	Climate Change And Sustainable Agriculture In Small Islands: A Case Of Ambon Island, Indonesia
10	3:05:00 PM	3:20:00 PM	PJP. Ginting	SUSTAINABLE GROWTH AND DEVELOPMENT
11	3:20:00 PM	3:35:00 PM	Anggraeni	INTEGRATED FARMING SYSTEM BASED ON FISHERIES TO INCREASE FISHERMEN COMMUNITY INCOME AT BANJAR KEMUNING VILLAGE
12	3:35:00 PM	3:50:00 PM	Desak Nyoman Siksiawati	Bureaucratic Reform in Trade of East Java Province: A Review of SMEs
13	3:50:00 PM	4:05:00 PM	Ni Made Tisnawati	DIGITAL DIVIDE AND THE LIVELIHOOD STRATEGY OF WOMEN INFORMAL SECTOR WORKERS IN RURAL AREAS
14	4:05:00 PM	4:20:00 PM	Sebastiana Viphindrartin	Testing the Effectiveness of the Monetary Transmission Mechanism in Achieving the Final Goals of ASEAN-3
15	4:20:00 PM	4:35:00 PM	Ferry Prasetyia	Good Governance and Economic Growth: Empirical Evidence from ASEAN Countries

PARALLEL SCHEDULE
The 23rd Asian Forum on Business Education International Conference
ROOM 3 – December 12th , 2019
Moderator : Tyas Ajeng Nastiti

No	Time Start	Time End	Name	Title
1	12:50:00 PM	1:05:00 PM	Sri Yunan Budiarsi	SMEs : 'NON'- CORPORATE SOCIAL RESPONSIBILITY
2	1:05:00 PM	1:20:00 PM	Agatha Nathania Susanto, Evania Yuniar, Melissa Gunawan Hartanto	Factors Affecting Tax Evasion Among Chindos
3	1:20:00 PM	1:35:00 PM	Ratna Permatasari, Elva Wiranata	The Effect of Financial Ratio (Altman Z-Score) on Financial Distress in Manufacturing Sector in Indonesia in 2016-2018
4	1:35:00 PM	1:50:00 PM	Vanessa Alma Sumarno, Talita Gloria, Sonia Dwi Indriani	Does Coercive Power Influence The Relationship of Tax Morale on Tax Evasion?
5	1:50:00 PM	2:05:00 PM	IDA AYU PURNAMA	Mitigating Budgetary Slack with Moral Imagination and Clawback Provisions: An Experimental Study
6	2:05:00 PM	2:20:00 PM	Hardiana Widyastuti	Community Satisfaction Analyst of the Implementation of CSR Programs in Rembang
7	2:20:00 PM	2:35:00 PM	Firman Rato Risky	Cashless Transactions Policy: The Strategy of Fraud Prevention A Study on The Government of DKI Jakarta Province
8	2:35:00 PM	2:50:00 PM	Maria Asumpta Evi Marlina	BOARD GAME IN INTRODUCTION OF ACCOUNTING TO DEVELOP SOFT SKILLS
9	2:50:00 PM	3:05:00 PM	Indra Hadi Waluyo	Action with Fraud Risk: The Shift from Opportunity to Rationalization. A Study from Regional Health Insurance Program in Bekasi City
10	3:05:00 PM	3:20:00 PM	Victor Egan	The Fourth Industrial Revolution and the Future of Work: The case for 'Humanics' and 'Antifragility' to Robot-proof Careers
11	3:20:00 PM	3:35:00 PM	Victor Egan	In Search of a Meaningful Life: The Myth of Sisyphus Revisited
12	3:35:00 PM	3:50:00 PM	Theofilus J F K Matruty	Pela-Gandong: Is this long held cultural practice a threat to the needed skepticism of Indonesian auditor?
13	3:50:00 PM	4:05:00 PM	Bambang Hariadi/ Ali M Al-Salayeh	Inovative Management Accounting Practice and Organisational Performance
14	4:05:00 PM	4:20:00 PM	Prof. Eko Ganis Sukoharsono	Financial Factors Which Affecting the Value of Companies with Disclosure of Greenhouse Gas Emissions as Mediation
15	4:20:00 PM	4:35:00 PM	LILIK PURWANTI	THE MEANING OF REGIONAL ASSETS INVENTORYING: PERSPECTIVE OF ASSET ADMINISTRATORS

PARALLEL SCHEDULE
The 23rd Asian Forum on Business Education International Conference
ROOM 4 – December 12th , 2019
Moderator : Marisyah Mahdia Khoirina

No	Time Start	Time End	Name	Title
1	12:50:00 PM	1:05:00 PM	SONNY INDRAJAYA	THE INFLUENCE OF ON LINE TRANSPORTATION ON SHOPPING HABITS IN MILLENNIALS THAT GIVE LOYALTY
2	1:05:00 PM	1:20:00 PM	Hilarius Bambang Winarko	YOUNG ADULTS' PURCHASE INTENTION TOWARDS RESTAURANT SEARCH SERVICE'S MEMBERSHIP PROGRAM
3	1:20:00 PM	1:35:00 PM	Andrian Haro	ARE ZOYA MUSLIM FASHION PRODUCTS AS HALAL LIFESTYLE IN CONSUMER PURCHASE DECISION?
4	1:35:00 PM	1:50:00 PM	Rahmat Sabuhari	IMPORTANCE OF HUMAN RESOURCES FLEXIBILITY AND PERFORMANCE OF EMPLOYEES ON LOGISTIC BUSINESSES IN THE EASTERN REGION OF INDONESIA A LITERATURE REVIEW
5	1:50:00 PM	2:05:00 PM	Asep Supriadi	The Effect of External Marketing Environment, Market Orientation, and Marketing Agglomeration Partnership on Marketing Performance with the Mediation of Product Innovation in Micro, Small, and Medium-Sized Business
6	2:05:00 PM	2:20:00 PM	Wawan Lulus Setiawan	Business Incubator Supporting Diffusion of Innovation, Entrepreneurship Development and Job creation (Case: The Center for Business Incubator and Entrepreneurship of IKOPIN, West Java, Indonesia)
7	2:20:00 PM	2:35:00 PM	Syifaa Novianti	Changes in Strategies at Small and Medium-sized Travel Agencies
8	2:35:00 PM	2:50:00 PM	Kosasih	Followership, Ambidextrous Leadership and Change Readiness in Manufacturing Company
9	2:50:00 PM	3:05:00 PM	Kosasih	Enhancing Innovative Performance in Manufacturing Company
10	3:05:00 PM	3:20:00 PM	Monika Handojono	conscientiousnes and agreeableness in the context of information variability: does leniency still exist?
11	3:20:00 PM	3:35:00 PM	Monika Handojono	Pela–Gandong: Is This Long-Held Cultural Practice A Threat To The Needed Scepticism Of Indonesian Auditors?
12	3:35:00 PM	3:50:00 PM	Bayu Putradana	Promotion and Servicescape Optimization In UD. Tjandra – Cinere
13	3:50:00 PM	4:05:00 PM	Sasmitha Claudia Pontoh	Asset Pricing Analysis Of 18 Cryptocurrencies
14	4:05:00 PM	4:20:00 PM	Nabilah Yasmin	The Impact of Busy Directors on Firm Performance in Manufacturing Companies on the Indonesia Stock Exchange
15	4:20:00 PM	4:35:00 PM	Hilmi Aulia	THE EFFECT OF CAPITAL STRUCTURE ON FIRM PERFORMANCE OF MANUFACTURING COMPANIES IN ASEAN 5 COUNTRY

PARALLEL SCHEDULE
The 23rd Asian Forum on Business Education International Conference
ROOM 5 – December 12th , 2019
Moderator : Sugeng Firdausi

No	Time Start	Time End	Name	Title
1	12:50:00 PM	1:05:00 PM	Himmiyatul Amanah Jiwa Juwita	comparative analysis of equity fund, fixed income mutual fund, and mixed mutual fund
2	1:05:00 PM	1:20:00 PM	Nur Khusniyah Indrawati	Asset Specifications, Financing Decisions and the Impact on Financial Performance: A Perspective of Economic Transaction Cost Theory
3	1:20:00 PM	1:35:00 PM	Wuryan Andayani	CORPORATE REPUTATION IN ACCOUNTING RESEARCH: A REVIEW OF THE LITERATURE AND THE CONCEPT
4	1:35:00 PM	1:50:00 PM	Siti Aisjah	Target and Leverage Adjustment Speed: Evidence on Manufacturing Companies in Indonesia
5	1:50:00 PM	2:05:00 PM	Moeljadi	Analyze of A Farmer Ability on Entrepreneurship To Accumulate Business Capital: Evidence on Jabung, Malang
6	2:05:00 PM	2:20:00 PM	Ainur Rofiq	Analysis of Technology Acceptance Model (TAM) on the Users of ARTOKU Application (Study on Member of Rumah Pengusaha Malang Raya)
7	2:20:00 PM	2:35:00 PM	Adhitya Wardhono	Identification and Strategy for Improving Financial Literation and Inclusion of Rural and Urban Communities in Banyuwangi Regency, Indonesia
8	2:35:00 PM	2:50:00 PM	Yulia Indrawati	E-Money Diffusion and Its Impact on the Effectiveness of Monetary Policy: Evidence from Indonesia
9	2:50:00 PM	3:05:00 PM	Silvi Asna Prestianawati	RE-THINKING TAX LEAKAGE: IS IT THE IMPACT OF PUBLIC POLICY FAILURE?
10	3:05:00 PM	3:20:00 PM	Tyas Danarti H.	QUESTIONING THE RATIONALITY OF INDIVIDUAL STOCK MARKET INVESTORS IN THE 4.0 ERA
11	3:20:00 PM	3:35:00 PM	ERWIN SARASWATI	CORPORATE SOCIAL RESPONSIBILITY DISCLOSURE: SYMBOLIC OR SUBSTANTIVE?(A Systematic Literature Review)
12	3:35:00 PM	3:50:00 PM	Nurika Restuningdiah	FIELD VALIDATION TOWARDS QUALITY DIMENSIONS OF SINGLE INDEX METHODS SOFTWARE TO SUPPORT INVESTMENT MANAGEMENT LEARNING
13	3:50:00 PM	4:05:00 PM	Dewi Rahayu	Scale Effect on The Size of Local Government in Indonesia
14	4:05:00 PM	4:20:00 PM	Muzdalifah	Flypaper Effect Phenomenon in Regencies/Cities in South Kalimantan Province
15	4:20:00 PM	4:35:00 PM	Shofwan	Roles and Potential Threats on Electronic Payments to Cashless Societies: A Conceptual Framework
16	4:35:00 PM	4:50:00 PM	Dwi Budi Santosa	E-government or e-governance? the current status of Indonesian regional government: a case study in East Java Province

**PARALLEL SCHEDULE
The 23rd Asian Forum on Business Education International Conference
ROOM 6 – December 12th , 2019**

No	Time Start	Time End	Name	Title
1	12:50:00 PM	1:05:00 PM	Putu Mahardika Adi Saputra	Bilateral Trade and Monetary Regime: An Analysis for ASEAN-5 Countries
2	1:05:00 PM	1:20:00 PM	Ina Agustini Murwani	How To Teach Empathy to Business Students?
3	1:20:00 PM	1:35:00 PM	Syamsul Amar B	THE INFLUENCE OF STUDENT PARENTS’S SOCIAL ECONOMY AND SCHOOL CHARACTERISTICS IN ENROLLING THE STATE HIGHER EDUCATION IN WEST SUMATERA PROVINCE
4	1:35:00 PM	1:50:00 PM	Phima Ruthia Dwikesumasari	The Effectiveness of Instagram as A Communication Media in Promoting East Java’s Traditions and Arts in The Modern Era: Study on PPST DISBUDPAR Jawa Timur.
5	1:50:00 PM	2:05:00 PM	Afni Sirait, Sri Luna Murdianingrum	Management Decision to Join Hotel Chain Budget Relating to the Role of Finance and Non-Finance (Competitive Advantage and Process Improvement) (Study: Hotel in Yogyakarta Special Region)
6	2:05:00 PM	2:20:00 PM	Maria UlfatulJamila	Determinants of Behavioral Intention To Use Digital Wallet: A Study in GoPay Users in Malang
7	2:20:00 PM	2:35:00 PM	Asfi Manzilati	Identification of Transaction Costs for Sugar Cane Farmers in Malang Regency
8	2:35:00 PM	2:50:00 PM	Wildan Syafitri	THE EFFECT OF INTERNATIONAL MIGRATION TOWARDS ENTREPRENEURSHIP IN INDONESIA
9	2:50:00 PM	3:05:00 PM	DAVID KALUGE	IS FINTECH MATTER ON MONEY MULTIPLIER IN TRANSITION PERIOD IN INDONESIA
10	3:05:00 PM	3:20:00 PM	Driana Leniwati/Prof.Ganis	The Suffience Sense (Qona'ah): The Value on the concpt income based on neuro-psychological-spiritual methodology
11	3:20:00 PM	3:35:00 PM	Imam subekti	CORPORATE GOVERNANCE RECOMMENDATIONS,MECHANISMS, AND EXPROPRIATION AMONG INDONESIAN PUBLIC COMPANIES
12	3:35:00 PM	3:50:00 PM	Nurkholis	Indicators of financial Performance and Integrated Reporting : Toward Restructuring of SOEs
13	3:50:00 PM	4:05:00 PM	Anadia Nafila	Anchoring Bias of Behavioral towards Legal Insider Trading Decision on Indicator 52-week High in Ho Chi Minh Stock Exchange
14	4:05:00 PM	4:20:00 PM	Achmad Fakhry/Prof. Ubud Salim	strategic entrepreneurship:integrating entrepreneurial and strategic management perspective (case study at pesantren terbuireng Jombang, East Java) A literature Review
15	4:20:00 PM	4:35:00 PM	Arif Hoetoro	The Dynamics of Performance Improvement among SMEs Clusters in East Java

ABSTRACT
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Does The Effectiveness of The Government Expenditure Accelerate Economic Growth?

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ABSTRACT

The purpose of this study is criticizing the effectiveness of government expenditure to speed economic growth in Indonesia. Three Stage Least Square (3SLS) is used. This study applied data for 32 provinces in Indonesia for the period of 2012 to 2017 to ascertain the relevance of Solow Swan's Neo Classic Growth Theory in measuring economic growth in developing country in recent time.

The results found that inflation does not influence on economic growth significantly, but there is a negative tendency towards economic growth. The variable of investment influences on growth significantly. The government role as represented by government expenditure has various effect both inflation and investment. The salary expenditure does not affect on inflation rate temporarily, an increase in salary expenditure permanently occurs, it is a possibly of having an effect on inflation. And the health expenditure influences on investment significantly, but the education and infrastructure sector have no effect on investment significantly. These results indicate that is accordance to Solow Swan's neoclassical theory, that the capital of health expenditure can create capital accumulation, which in turn speeds economic growth. Our findings thus conform that Solow Swan's Neo Classical growth theory is still relevant in evaluating the effectiveness of government spending in accelerating economic growth through government spending in developing country such as Indonesia

Keywords: effectiveness, government expenditure, economic growth, 3SLS

1. INTRODUCTION

Economic growth is an essential condition for carrying out economic development and is considered the principal goal of various policies pursued by the government [1]; [2]; [3]. The reason being that, economic growth is crucial in determining the community welfare [1]. Economic growth can reduce unemployment by creating higher level of employment [2] as well as reducing poverty in a country by increasing the income percapita [4]. Furthermore, economic growth results in higher labor productivity which subsequently improving income and lead to higher consumption and investment [5]. In turn, an increase in investment create accumulation of capital, which is the major driver of economic growth acceleration [6].

However, to achieve the increased growth has become a challenge in many countries. Data in [7] showed that since the 1997/1998 economic crisis, then the 2008 financial crisis, achieving economic growth has been a challenge for most countries, including developing countries. Capital inflows have declined, and most of the low economic growth rates have been experienced [8]. The situation resulted in economic pressures in developing countries mostly, including Indonesia, where the data showed that in the era before the crisis (1997-1998), economic growth experienced

a fairly high growth with an average of 6.8%, but after that economic growth has decreased with growth rate of 5.04 or always below 6% [9]. This fact showed that after the 1988 crisis, economic growth was unable to exceed the era of pre-crisis.

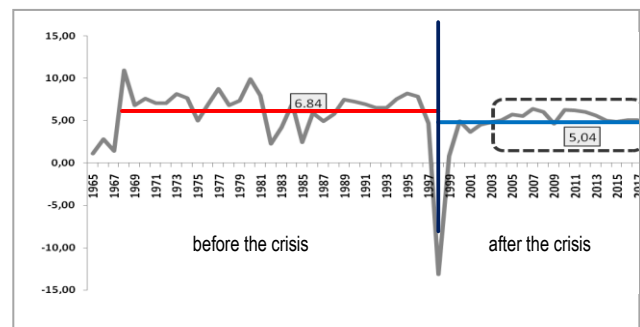


Figure 1.1 Development of Indonesia's Growth

Source: IMF, processed 2019

Figure 1.1 showed economic growth in the pre-crisis period was at 6.84%, while the post-crisis economic growth was at 5.04% [9]. If we refer to the trend of the budget development has been increasing continuously every year. For example in the 2010-2017 the government expenditure there was an average increase of 21 % annually (Figure 1.2).

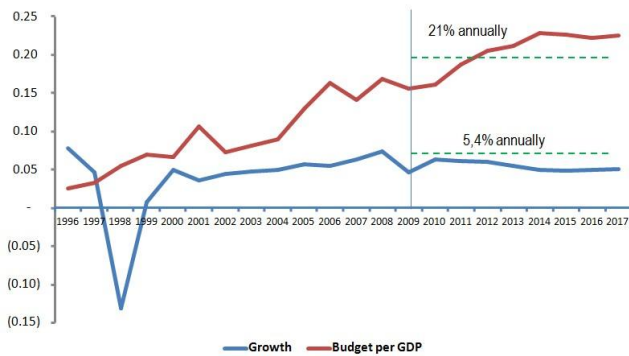


Figure 1.2 Development of Indonesia's Budget and Growth

Source: IMF, processed (2019)

This condition illustrated that there has been the ineffectiveness in utilizing its expenditure. This showed that the increasing in expenditure has not been yet translated into meaningful growth, because for 10 years, the economic growth has continued to decline, even data showed that Indonesia's ranking is still among countries lower middle income countries in the world.

Based on the cases above, this study decided to investigate and analyze the effectiveness of the expenditure in accelerating economic growth in Indonesia. To measure the government effectiveness in this study is by using two kind budgets, they are capital expenditure and salary expenditure. Capital expenditures are intended to improve their abilities and encourage the regional economy. Thus, capital expenditures implemented by governments will have a multiplier effect to drive economic activities. Therefore, the higher the capital expenditure ratio from the GRDP, it is hoped that the better effect will be on economic growth. Conversely, the lower the number, the less influence it has on economic growth

Salary expenditure is intended to increase income per capita of the community, or increase purchasing power, this increasing encourages consumption. If the income increases not for consumption but for saving, then it can also become an investment. This increase in investment can accelerate the accumulation of the capital which then encourages economic growth, and vice versa. An increase in people's income is not for saving but for consumption, then this condition cannot create capital accumulation be increased, can even inhibit capital accumulation, which in turn cannot encourage or even decrease economic growth. By doing so, we try to apply the theory of an extended the theory of neoclassical growth, spirited by the model of Solow Swan growth [10];[11]. The reason being that, this theory has a construct that the growth of economic is a series of activities that originates in humans, accumulation of capital, the use of newest technology and output. This theory bases its analysis on the components of the production

function. The elements that cause economic growth include capital, labor, and technology. Neoclassical growth model stated the economy will reach conditions of constant growth (steady state), it means the conditions when per capita income and other elements of production grow constantly or can be denoted $s.f(k) = (n + \delta).k$, to achieve these conditions, the economy requires a growth rate of investment that can offset the effect of depreciation or cost of funds [12].

In consequence of the previous arguments, this research examines whether government effectiveness through capital expenditure and salary expenditure are able to accelerate economic growth in Indonesia. Specifically, this research examines the influence of inflation on economic growth, the influence of investment on growth and the influence of government role toward inflation and investment.

This paper is planned as follows: Section two (2) presents literatures review including the theory and previous studies; Section three (3) presents method; Section four (4) presents results and interpretations; Section five (5) presents the conclusion.

2. LITERATURE

2.1.The Based Theory

In the growth literature, the government plays important role in enhancing economic performance. Basically, the theoretical underpinning for this study is exogenous theory, spirited by the model of Solow growth [13], [11]. Solow discusses that the shift in the production function determined by an increase (or decrease) in savings, population growth and technological progress that has a temporal effect. After a shift towards balanced growth, the economy returns to a steady-state growth path. The Solow model proposition disputes that only technological progress will proceed to produce a level of economic growth for long-term consumption and income per capita. Thus, technological advances in the neoclassical model are the only source for long-term sustainable growth [14].

2.2.The inflation on economic growth

Inflation is a measure that describes the dynamics of the price development goods and services commonly consumed by the community. The price development goods and service price has a direct impact on the level of purchasing power and the cost of living of the people, changes in the value of assets and liabilities and the value of business contracts / transactions. Inflation is also an indicator of movement between demand supply in the real market, is also closely related to changes in interest rates, economic productivity, the exchange rate against foreign currencies. Therefore, the public, business people, banks and the government are very interested in changes of inflation. The higher of the inflation, the lower of money value and the lower purchasing power so that it can hamper economic growth. Therefore, stable

inflation is a prior condition for realizing prosperity in every country, for developed and developing countries.

From several empirical studies show that the inflation rate has a positive, negative and also neutral on economic growth [15]. As [16] in his research shows inflation reduces growth through reducing investment and the level of productivity growth, in other words inflation influences on economic growth negatively. Furthermore, [17], [18] in their findings stated that with a high inflation can reduce the level of savings and thus will reduce economic growth. However, there are some previous researches that inflation influence on economic growth positively, such as [19], [20], [21], [22] which state that inflation is very helpful on economic growth, however, faster economic growth will feed back on inflation. Then, there are some show the rate of inflation has no relationship with economic growth [23], [24]

2.3.The impact of investmnet on economic growth

Investment is a factor that can determine income level of a country in the future and it is for expanding business and new equipments, and it causes the capital stock to be increased. Capital stock is an essential determinant of economic output, because it can change over time, and this can lead to economic growth.

The amount of investment in a country in a given year is equal to the amount of capital formation. So the formation of gross domestic capital is the overall investment both by the private and government sector. Investment forms a large part of GDP can be classified in two broad categories, namely domestic investment and foreign investment (FDI) [25]

Investment affects on economic growth and reflects the pattern of development of a country. Thus, the higher the investment growth rate of a region, the better it is expected on economic growth. Conversely, the lower the number, the slower economic growth, assuming that the actual level of investment per unit of active labor is higher than the break-even investment (depreciation) and the level of productivity of capital stock per effective labor force is very high so that the amount rises to the position the balance or rate of positive economic growth .

The relation between investment and economic growth is explained by the neoclassical theory Solow Swan in Olsson (2010) states that determinant of economic output growth are labor, capital, and technology. These elements are formulated as a production function, namely $Y(t) = f(K(t), L(t), T(t))$. Solow's neoclassical theory illustrates the process of accelerating economic growth by assuming a closed economy, without the role of government, saving is a portion of output that is not consumed, capital is homogeneous and at a constant rate, so the addition of capital for investment will be positive if the return of new investment is higher than depreciation.

Some evidence has been done in developed countries namely [26], [27], 2016) explained that investment influences significantly on economic growth in long term. [28], [29], [30], [31] found that investment contribute on economic growth positively. In developing countries proved by [32],

[33], [34], [35], [36] found there is a positive effect of physical investment on economic growth.

2.4.The impact of salary expenditure on inflation

In macroeconomic, it is stated that employee expenditure is intended to increase income per capita of the community, or increase purchasing power. Increased purchasing power can encourage economic activity from the demand side. The higher income per capita, the higher the purchasing power, it can stimulate demand that are always provided by production. In general, many people assumed increasing in salary spending causes a tendency to money supply. According to quantity theory, changes in the price level are a result of changes in the money supply. Increasing the money supply in the community will cause the money value to be decreased. Because of the decreased money value, it has the same meaning as an increase in the price level. In theory, an increase in the money supply has a tendency price level high and vice versa.

An increase in salary expenditure is likely to stimulate economic activity. Increased economic activity can also be increased economic transactions. This situation encourages the creation of money supply in the community to be bigger. If the increase in the money supply continues to rise, it can drive the demand increasing sharply. An increase in demand that are not matched by the supply, it causes the price level to rise

Theoretically, explained in his research [37] that inflation is caused by demand and supply pressures. Demand pressure arises from expansive fiscal policy (government spending and tax cuts) or expansive monetary policy (increasing the money supply) or reducing the demand for money. Supply pressures occur because of a reduction in capital, a reduction in demand supply for labor and a reduction in other inputs. In these cases, the price level will rise and will cause inflation. This statement has been proven by [38] found that money supply (M2) influence significantly on inflation, while the fiscal deficit, government spending, and interest rates are determinants of inflation.

2.5.The impact of capital expenditure on investment.

Capital expenditure is a part of government expenditure that is prioritized to protect and improve the quality of life and an effort to fulfill regional obligation, which is realized in improving basic services, namely providing education services, health, service facilities, social facilities and adequate public facilities and develop social security (UU 32/2004). This expenditure is intended to increase the capacity of resources such as construction of road projects, government offices and other facilities. The increase of capacity causes economic activities faster, more efficient and cheaper and later could encourage investment.

Improving the quality of resources in health or healthy people tends become more active and enthusiastic in working and become more productive in their respective disciplines and lead to the creation of investments [39], further

emphasized in [40], [41] that health investments eradicate poverty, increase productivity and increase and sustain economic growth.

Furthermore, [42], [43] state the availability of economic infrastructure as a facilitation of production namely the electricity, roads, and also the facilitation of household consumption such as water, sanitation and electricity, can directly have benefits for the community, which can then encourage effective actors - economic actors, ultimately stimulating investment growth.

3. RESEARCH METHOD

3.1.Data and variables

The data used is secondary data that has panel data form (pooled-data) which is a combination of time series that is a collection of relevant data during the 2012-2017 period and data between places or spaces (cross sections) which is 32 provinces in Indonesia. The data in this study included: economic growth, capital expenditures (namely; in educational, in health, in infrastructure), salary expenditures, investment, inflation, per capita and consumption.

The data was obtained and downloaded from several publications, including SEKI with the web address <https://www.bi.go.id/id/statistik/metadana/seki/>, Statistics Indonesia with the web address of <https://www.bps.go.id/> and Directorate General of Financial Balance of the Financial Ministry of the Republic of Indonesia with the address at <http://www.djpk.kemenkeu.go.id/> and several other web site sources that are relevant to this research.

3.2.Method analysis

The analysis in this study is Three Stage Least Square. The 3SLS model is a model that has more than one interrelated equation. In this study, before applying 3SLS, each equation must be tested by using common effect, fixed effect and random effect, and the result of each equation must be in common effect or fixed effect [44]. Then, if the equation found in random effect, it must be tested with the stationery test.

3.3.Model Specification

Going by the theoretical framework, this paper applies the exogenous growth theory by Solow Swan in [45]. The basic Solow model is $\dot{k} = s.f(k) - (n+\delta).k$. This formulation can give meaning in this research, namely that \dot{k} is the output of a country, which is represented by *economic growth*, (s) which means *saving*, that are government saving

and private saving, government saving is represented by capital expenditure or government investment, and private savings that described by income per capita from an increase salary expenditure. Then, $n + \delta$ is the depreciation rate of the capital-labor ratio and n can be inflation like cost of fund. So, the econometric model becomes as follows:

$$\begin{aligned} \text{Inf}_{it} &= \alpha_0 + \alpha_1 \text{SE}_{it} + \alpha_2 \text{IncP}_{it} + \alpha_3 \text{Cons}_{it} + e_{it} \\ \text{Invest}_{it} &= \mu_0 + \mu_1 \text{HE}_{it} + \mu_2 \text{EdE}_{it} + \text{InfE}_{it} + \text{inf}_{it} e_{it} \\ \text{Growth}_{it} &= \beta_0 + \beta_1 \text{Inf}_{it} + \beta_2 \text{Invest}_{it} + \beta_3 \text{BudgetR}_{it} + e_{it} \end{aligned}$$

where:

Inf = inflation rate, $(IHK_t - IHK_{t-1} / IHK_{t-1} \times 100\%)$
SE = salary expenditure, $(\text{the total of SE} / \text{RGDP} \times 100\%)$

IncP = income per capita, $(\text{total of RGDP} / \text{sum of population})$

ConsP = private consumption, $(\text{the total of Cons} / \text{RGDP} \times 100\%)$

Invest = the rate of investment, it's calculated by $GFCF_t - GFCF_{t-1} / GFCF_{t-1} \times 100\%$

HE = health expenditure, $(\text{total of HE} / \text{RGDP} \times 100\%)$

EdE = education expenditure, $(\text{total of EdE} / \text{RGDP} \times 100\%)$

InfE = infrastructure expenditure, it's calculated by $\text{total of InfE} / \text{RGDP} \times 100\%$

Growth = economic growth, it's calculated by $\text{RGDP}_t - \text{RGDP}_{t-1} / \text{RGDP}_{t-1} \times 100\%$

BudgetR = budget ratio, it's calculated by $\text{total of budget} / \text{RGDP} \times 100\%$

4. RESULT AND DISCUSSION

4.1.Result of stationery test

Stationary test is the important stages in analyzing panel data to see whether the data used is stationary or non-stationary, where if the data used is not stationary, the derivation process will be carried out until the data are ultimately stationary. The Stationary Test used is LLC

Table 1 Stationary test

Variables	LLC (Levin, Lin & Chu)		Justification
	t-statistic	probability	
Growth	-13.3521	0.0000	stationery
Invest	-12.6757	0.0000	stationery
Inf	-10.5503	0.0000	stationery
SE	-2.67582	0.0000	stationery
IncP	-3.40471	0.0000	stationery
Cons	-15.4418	0.0000	stationery
HE	-7.03348	0.0000	stationery
EdE	-7.88883	0.0000	stationery
InfE	-7.67779	0.0000	stationery
budgetR	-3.58330	0.0000	stationery

Source: proceed, 2019

Based on the results of the unit root test in Table 1, it is found that all of variables used in this research have the score of LLC p-value smaller than alpha (α). In sequence, it is concluded that the data used has been stationary. Then it can be stated that all of variables in the equation model can be performed in the next analysis stage, namely the 3SLS regression stage.

4.2.Result of 3SLS and Discussion

Table 2 Estimation result

Equation	Coef	P> Z
<i>Inf</i>		
<i>SE</i>	-14.12975	0.461
<i>Incp</i>	.0000891	0.013
<i>ConsP</i>	.010851	0.845
<i>cons</i>	-.8995493	0.815
<i>Invest</i>		
<i>HE</i>	.0001006	0.060
<i>EdE</i>	-.0000482	0.129
<i>InfE</i>	.0000152	0.394
<i>Inf</i>	-.0067084	0.003
<i>cons</i>	.0703763	0.000
<i>Growth</i>		
<i>Inf</i>	-.0003643	0.779
<i>Invest</i>	.6265277	0.007
<i>BudgetR</i>	-.1680461	0.167
<i>cons</i>	.0281738	0.013
<i>Endogenous variables</i>	<i>Inflasi, Invest, Growth</i>	
<i>Exogenous variables</i>	<i>SE, Incp, ConsP, HE, EdE, InfE, BudgetR</i>	

Resources: result of STATA analysis, (processed, 2019)

Table 2 shows the complete 3SLS estimation. The above results can be used to answer the purposes of this research.

1. *The first is the influence of inflation on growth.*

The results found varied results, namely equation one shows that salary expenditure and consumption variables have no effect on inflation, while per capita income variables influence significantly on inflation. The results of equation one (1) show an increase in salary expenditure does not influence on inflation rate, this is likely in short-term, if an increase in salary expenditure permanently occurs, there is a possibility of having an effect on inflation, the variable income per capita has significant effect on inflation. The higher per capita income of most people can influence the rate of inflation.

The results show that *inflation* does not influence on growth significantly, but negative tendency towards economic growth. This implies that the inflation does not influence on economic growth. Some evidences as conducted by [46], [20] which state that the rate of

inflation does not influence significantly on economic growth, and also not a causal relationship. Others, like [47] in their analysis found that inflation effects on economic growth varies from country to country and over time

2. *The second is the impact of investment on growth.*

The results found that *investment* influences on growth significantly. Theoretically, the greater investment growth of a region means the faster the region's ability to accelerate economic growth. This is in line with the article of [48] has stated that investment is one of the foundations of every economy. Economic activities require machinery, equipment, equipment, roads, lines, electricity networks, airports, water systems, telephones, and other forms of fixed assets. Thus, it is clear that economic growth is highly dependent on the investment or fixed capital available. The newest empirical evidence such as [49]; [28]; [26] stated that countries with deeper and wider investment are pushing for accelerating economic growth. This is accordance with the theory of Solow (1956) postulated that productivity only be explained through direct investment, population growth and technological progress. Technological progress becomes the only factor that affects the long-run growth rate of any economy.

3. *The third is the impact of government role on inflation and investment.*

The government role as represented by government expenditure such as salary expenditure and capital expenditure (included health sector, education sector, and infrastructure sector) have various effect both inflation and investment.

The results show that salary expenditure does not influence on the inflation rate, this is likely to be short-term, if an increase in salary expenditure permanently occurs, there is a possibility of having an effect on inflation. [50] states that inflation is determined by demand and supply pressures. Demand pressure arises from expansive fiscal policy (government spending and tax cuts) or expansive monetary policy (increasing the money supply) or reducing the demand for money. An increase in salary expenditure tends the money supply increased. As expressed by [38] in his research found that money supply influenced significantly on inflation.

Then, the government role that is represented by capital expenditure included the expenditures of health sector, education and infrastructure sector. The results show that the health sector influences significantly on investment, but the education and infrastructure sector do not have any effect on investment.

5. CONCLUSION

This paper estimates a simultaneous-equation model to test the effectiveness in accelerating economic growth for the period of 2012-2017. This study is conducted with the theoretical framework explicitly. Specifically, examines the government effectiveness through two government expenditures, namely, capital expenditure and salary expenditure.

The results indicate that the salary expenditure that is used for increasing purchasing power has not significant effect of inflation, and inflation is not effected on growth. Salary expenditure is intended to increase income or increase purchasing power, this increasing will encourage consumption. If the people's income rises not for consumption but for saving, it can also be an investment. An increase investment can accelerate capital accumulation, which in turn boosts economic growth and vice versa.

Health expenditure has significant and positive effect on investment. This finding indicates there is a relevance of the neoclassical theory. Basically, the government can drive economy through budget spending, namely; capital expenditure likes expenditure in health sector. This expenditure is aimed to increase resource capacity, an increase resource capacity causes production activities more efficient, faster and cheaper, later encourage investment. The creation of investment encourages capital accumulation and then speeds economic growth.

Finally, the results of this study, contributes to the justification of Neo Solow Swan's growth theory, that the thought of neoclassical theory is still relevant in the government effectiveness. The Solow Swan view that was developed by [12] can still be used as an analysis of the government's role in accelerating economic growth through government expenditure in provinces of Indonesia in recent time.

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