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The Effect of Regional Financial Performance and Government Investment On Economic Growth In Yogyakarta Special Regency/City 2009-2019

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ABSTRACT

Rapid and sustainable economic growth is an essential foundation for economic development sustainability. This research aims to examine the direct effect of variables on financial performance and government investment on economic growth in DIY. It was a quantitative study. The data were secondary data from five regional Yogyakarta from 2009 to 2019 obtained from the Central Statistics Agency. The data were analyzed using a regression model processed by SPSS 23. The result of the study showed that: 1) Financial performance used effectiveness ratio hasn't effect on economic growth in Yogyakarta; 2) Financial performance used efficiency ratio has no effect on economic growth in Yogyakarta; 3) Government investment has a negative effect on economic growth in Yogyakarta.

Introduction

A developing economy is an economic activity that can generate increased income for the community in a limited period. High and continuous economic development is the main element in the sustainability of economic development. Economic improvement also illustrates economic development achievements from one time to the next in a country/region. Increased economic activity refers to developing a country's goods and services, such as increasing the production of industrial goods, expanding the service sector's output, and additional capital goods (Sukirno, 2011). In macro analysis, the level of economic improvement achieved by a country comes from developing real national income earned by that country. Economic improvement is a crucial parameter when analyzing the economic development of a country/region. An increase in the economy shows the level of economic activity and will provide additional income for the community for a limited

period. Because basically, economic activity is a procedure for dividing production aspects to produce products, measured using the Gross Regional Domestic Product (GRDP) in an area.

Economic improvement cannot be separated from a region's financial management because an area can become advanced and independent depending on managing its finances. Effective and efficient regional financial management will encourage economic growth, which requires human resources and economic resources in the form of finances contained in a government budget. The government budget or Regional Revenue and Expenditure Budget (APBD) is the central policy for local governments to develop capability, effectiveness, and efficiency in determining the amount of income, expenditure, financing, and decision making. APBD is also used as a policy instrument containing performance (Wadma, 2016).

Economic improvement and investment speed cannot be separated because economic progress and investment need each other; the more significant the acquisition, the faster the rate of increase. (Todaro & Smith, 2003). Government investment in the distribution of funds through securities or direct investment. Government investment is one of the driving aspects of economic improvement in the region because, with government investment, the economic progress will be higher than in previous years and can gain financial and economic benefits. Sources of government investment funds come from the APBN and are guided by banks, financial institutions, and non-bank financial institutions (LKBB).

One of the financing programs facilitated for MSMEs is Ultra Micro (UMI) financing and People's Business Credit (KUR). People's Business Credit (KUR) is a credit/financing scheme for working capital and or investment specifically intended for Micro, Small, and Medium Enterprises and Cooperatives (UMKMK) in the productive and feasible business sector. However, it has limitations in fulfilling the requirements set by the Bank (not yet available). In the Regulation of the Coordinating Minister for Economic Affairs as Chair of the Financing Policy Committee for Micro, Small and Medium Enterprises Number 11 of 2017 concerning Guidelines for the Implementation of People's Business Credit, the purpose of the KUR program is to increase and expand access to financing for productive businesses, increase the competitiveness capacity of micro-enterprises, small and medium enterprises and can encourage economic growth and employment. As of December 31, 2018, the total KUR (including UMI) disbursed reached in the DIY are 2.74 trillion, which 100,579 debtors received with an average credit spent of Rp. 27.30 million. The largest KUR recipients were micro KUR which reached 90,903 debtors or 89.78% with contracts running Rp 1.60 trillion (58.44%), followed by Retail KUR, which was distributed to 8,515

10.12928/optimum.v12i1.4094

debtors (8.47%) with warranties reaching Rp 1.13 Trillion. Meanwhile, KUR in the DIY region only had 37 debtors (0.04%) with contracts of Rp. 638.06 million, while UMi financing had been disbursed to 1,724 debtors (1.71%) with contracts reaching Rp. 5.49 billion (Directorate General of Treasury DIY, 2018). the total KUR (including Umi) that has been disbursed has gone Rp 2.74 trillion, which 100,579 debtors received with an average loan disbursement of Rp 27.30 million. The largest KUR recipients were micro KUR which reached 90,903 debtors or 89.78% with contracts running Rp 1.60 trillion (58.44%), followed by Retail KUR, which was distributed to 8,515 debtors (8.47%) with warranties reaching Rp 1.13 Trillion. Meanwhile, KUR in the DIY region only had 37 debtors (0.04%) with contracts of Rp. 638.06 million, while UMi financing had been disbursed to 1,724 debtors (1.71%) with contracts reaching Rp. 5.49 billion (Directorate General of Treasury DIY, 2018). the total KUR (including Umi) that has been disbursed has gone Rp 2.74 trillion, which 100,579 debtors received with an average loan disbursement of Rp 27.30 million. The largest KUR recipients were micro KUR which reached 90,903 debtors or 89.78% with contracts running Rp 1.60 trillion (58.44%), followed by Retail KUR, which was distributed to 8,515 debtors (8.47%) with warranties reaching Rp 1.13 Trillion. Meanwhile, KUR in the DIY region only had 37 debtors (0.04%) with contracts of Rp. 638.06 million, while UMi financing had been disbursed to 1,724 debtors (1.71%) with contracts reaching Rp. 5.49 billion (Directorate General of Treasury DIY, 2018). 44%) followed by Retail KUR, distributed to 8,515 debtors (8.47%) with contracts reaching Rp 1.13 Trillion. Meanwhile, KUR in the DIY region only had 37 debtors (0.04%) with warranties of Rp. 638.06 million, while UMi financing had been disbursed to 1,724 debtors (1.71%) with contracts reaching Rp. 5.49 billion (Directorate General of Treasury DIY, 2018). 44%) followed by Retail KUR, distributed to 8,515 debtors (8.47%) with contracts reaching Rp 1.13 Trillion. Meanwhile, KUR in the DIY region only had 37 debtors (0.04%) with warranties of Rp. 638.06 million, while UMi financing had been disbursed to 1,724 debtors (1.71%) with contracts reaching Rp. 5.49 billion (Directorate General of Treasury DIY, 2018).

The KUR program is very beneficial for the community, especially small and medium traders. It is under the impact of KUR on business production and sales profit.

Table 1. KUR Program Percentage

No	Parameter	Number of Respondents	Percentage
1	Conditions related to Business productivity (increase in sales turnover)		
	a. Increase	53	81.54%
	b. Stable	11	16.92%
	c. Decrease	1	1.54%
2	Conditions related to profit/profit		
	a. Increase	53	81.54%
	b. Stable	11	16.92%
	c. Decrease	11	1.54%

Tabel 1 shows the data obtained from the survey results, most respondents stated that the implementation of KUR on business productivity or sales (turnover) and profit (profit) had a positive impact on MSME actors. Regarding business productivity, as indicated by an increase in turnover and sales profit, most respondents (81.54 percent) stated that their turnover had increased, with an average increase in turnover of 62.47 percent and an increase in an average profit of 62.96 percent. Furthermore, as many as 16.92 percent said there was no change (stable), and 1.54 percent of respondents stated their turnover and profit had decreased. The majority, 66.04 percent, of the increase in turnover ranged from 0 percent to 50%. This research focuses on reviewing the performance of regional finance and government investment on economic growth in the DIY Regency/City from 2009-to 2018. Financial performance in this study only uses the ratio of effectiveness and efficiency. Based on previous studies that have not shown consistent use of the ratio of effectiveness and efficiency as an analytical method in measuring government financial performance and the effect of investment on economic growth, it is necessary to review the results to see consistent research results. So, from the above background, the researcher conducted a study entitled "The Effect of Financial Performance and Government Investment on Economic Growth in the Regency/City of DIY in 2009-2019."

Theoretical Review

Economic Growth Theory

Economic improvement continuously increases production power that focuses on three directions: procedures, per capita productivity, and continuous improvement (Boediono, 1999). Therefore, the achievement of the economic development is an increase in the economy, which the economic development of a period experiences an increase in goods or services (Sukirno, 2011). This increased competence is due to the addition of production in quantity and quality. Good performance will result in achievement under what has been

10.12928/optimum.v12i1.4094

planned. In addition, the investment will increase capital goods in the economy that will be used to produce goods and services in the future.

The critical difference between economic development and economic improvement is that per capita income continues to increase. In contrast, economic improvement is characterized by a GRDP increase regardless of whether the rise is higher or lower than the growth rate in population, financial structure, etc. (Arsyad, 1999). In addition, economic improvement is also defined as an analysis of aspects for long-term improvement, while the determining element of improvement is how management performance is effective and efficient and savings as an investment. The purpose of an economic strategy is to bring about success. One of the most important parameters of success is income. An area is declared to have increased if there is an increase in community income(Robinson, 2005). Regional economic improvement can be measured by increasing GRDP according to stable prices. The GRDP rate will show the procedure for increasing production continuously. The focus is on strategies because they contain active and developmental elements. The purpose of economic development is to promote rapid regional economic improvement. Because in a limited period, we can understand the parameters of economic improvement.

Regional Financial Performance

Regional financial performance is the competence of local governments to explore regional financial resources to finance the wheels of government. Performance is also the achievement of the goals that have been designed. The performance will be carried out well if the results go according to plan. In this study, the government's financial performance refers to the level of achievement of regional financial results, including regional income and expenditure. The form of performance is in the form of financial ratios formed by the elements of the accountability report in the format of APBD calculations. Measuring local government financial performance can use several ratios (Halim, 2002).

Government Investment

According to Law Number 25 of 2007, Government Investment is the entire investment activity, either by domestic investors or foreign investors, to carry out business in the territory of the Republic of Indonesia. Investment activities allow for increasing community economic activity and employment opportunities, increasing national income, and increasing the level of community welfare (Sukirno, 2005). Investment is the cost of buying goods and production equipment to replace capital goods in the economy, significantly increasing the distribution of capital goods in the future for the production of goods and

services. In the national balance sheet or gross domestic product (GDP) structure, investment is defined as the formation of stable domestic capital according to its distribution (Setyowati & Fatimah NH, 2007).

Hypothesis Development

Effect of Effectiveness Ratio on Economic Growth

Ratio effectiveness illustrates the competence of local governments in realizing the designed Regional Original Income (PAD) compared to the goals determined based on the actual capabilities of the region. The higher the form of PAD receipts compared to the purpose of PAD receipts, it can be concluded that the more efficient it is and vice versa. The effectiveness of regional finances also shows that as representatives of the community managing regional budgets, provincial governments have been able to carry out and realize financing well. The more effective regional finance, the better the performance of the regional government(Siregar, 2016). Syamsudin et al. (2015) study shows that the effectiveness ratio and financial performance positively affect economic progress. Based on this, the formulation of the research hypothesis proposed by the researcher is as follows:

Hypothesis 1: The effectiveness Ratio affects Economic Growth.

Effect of Efficiency Ratio on Economic Growth

The performance of the local government in carrying out revenue collection, if the ratio achieved is less than 1 (one) or less than 100%, can be said to be effective—the smaller the ratio, the better the government's performance. If the execution of work achieves the desired result (production) with the lowest cost (input), an activity is carried out effectively (Budiarto & Ciptono, 2007). The efficiency ratio is a ratio that illustrates the comparison between the number of costs incurred in obtaining income with the actual income earned. Based on this, the formulation of the research hypothesis proposed by the researcher is as follows:

Hypothesis 2: Efficiency Ratio affects Economic Growth.

The Effect of Government Investment on Economic Growth. Performance According to Government Regulation No. 8 of 2007, article 2 paragraph (1), the government's investment is intended to obtain economic, social, and/or other benefits. Meanwhile, Article 2 paragraph (2) states that government investment, as referred to in paragraph (1), aims to increase economic progress in promoting the general welfare. Investment activities also have a good influence on the progress of a country's procedures. According to Harrod-Dommar's theory, investment activity is an essential aspect of the economy because more

10.12928/optimum.v12i1.4094

investment is carried out (Arsyad, 1999). The initial research by Korua (2016) proves that government investment positively affects economic progress. Based on this, the research hypothesis proposed by the researcher is as follows:

Hypothesis 3: Government Investment affects Economic Growth

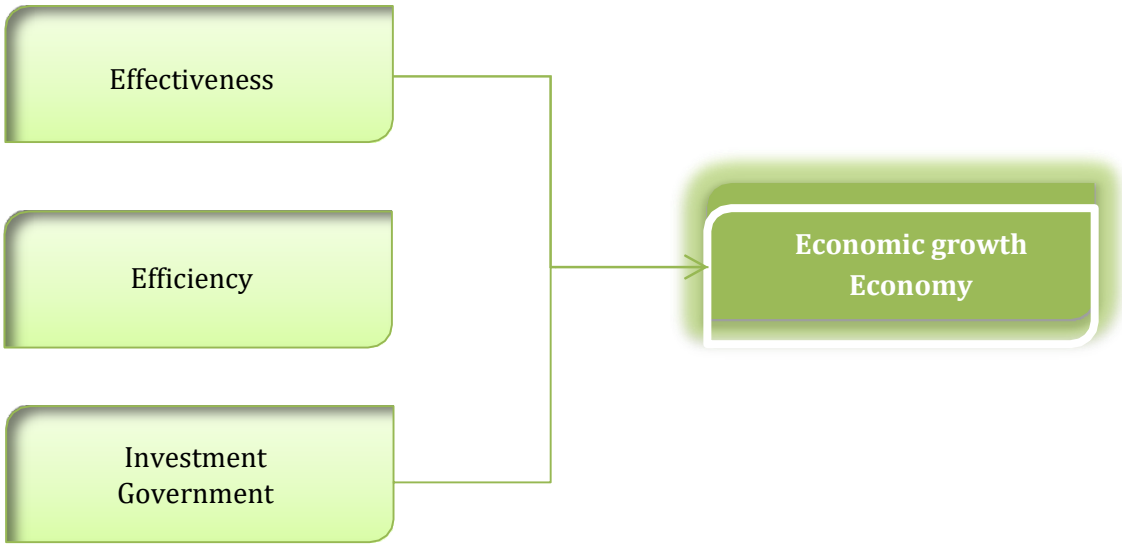

Figure 3: Conceptual Framework

Method

Research design

This study uses two types of research variables: dependent and independent variables. This research is included in the kind of explanatory research. According to Sugiyono (2012), an explanatory study describes the observed variables' position and the relationship between one variable and another. In other words, explanatory research also describes the causal relationship (cause and effect) between research variables by using hypotheses.

The approach used in this study is a quantitative approach, which is an approach whose analysis focuses more on numerical data/numbers that are processed using statistical tools. The quantitative approach is carried out to test the hypothesis, which will later obtain the significance of the relationship between the variables studied. Therefore, this study uses secondary data obtained from the Regional Finance and Assets Agency in each Regency in the DIY Province from 2009 to 2019.

Population and Sample

The population used in this study is five districts/cities in the DIY region. The sample selection in this study used the method of *purposive sampling*. The following criteria are determined to obtain a suitable sample:

1. District/City governments actively publish reports in succession during the research period.
2. There are data needed in reports published by each district/city government.
3. Reports are published using rupiah currency.

Data collection technique

In this study, the data collection techniques used were through the website of each official website of the Regency/City BKAD DIY. This study concentrates on the annual report as the primary source of information in decision-making procedures and is a widely recognized document because it includes information with high credibility. Details of the Regency/City, which is the data sources, are described in Table 2 below:

Table 2. Data source

No	Name of Regency/City	Official Website
1	Sleman Regency	Regional Finance and Assets Agency – Sleman Regency (slemankab.go.id)
2	Bantul Regency	Regional Finance and Assets Agency – Bantul Regency (bantulkab.go.id)
3	Gunungkidul Regency	https://bkad.gunungkidulkab.go.id/
4	Kulonprogo Regency	Regional Finance and Assets Agency for Kulon Progo Regency (kulonprogokab.go.id)
5	Yogyakarta City	Regional Financial and Asset Management Agency - (jogjakota.go.id)

Variable Operational Definition

The variables in this study consisted of one dependent variable and three independent variables. Details of the variables used in this study can be seen in Table 3.

Table 3. Variable

Variable	Formula
Dependent	
- Economic growth	$Economic\ Growth\ Rate\ = \frac{\text{PDRBt} - \text{PDRBt} - 1}{\text{PDRBt} - 1}\ x\ 100\%$
Independent	
- Effectiveness Ratio	$Effectiveness\ Ratio = \frac{Realization\ of\ PAD}{PAD\ Target\ Revenue}\ x\ 100\%$
- Efficiency Ratio	$Efficiency\ Ratio = \frac{\Sigma Realization\ of\ Government\ Budgetary}{\Sigma Realization\ of\ Regional\ Income}\ x\ 100\%$
- Investment Ratio	$Investment\ Ratio = \frac{Benefit\ Value - Investment}{Investment}\ x\ 100\%$

10.12928/optimum.v12i1.4094

Economic growth

Continuous economic progress is a procedure for increasing per capita production that emphasizes strategies, per capita production, and constant progress. Economic progress is also known as a parameter to measure an area's economic development, which can be seen from the progress of goods and services. Economic progress is assessed by the progress of gross regional domestic product (GRDP) at stable prices, which will continuously show an increase in per capita production. Therefore, knowledge of the parameters of economic progress is usually checked over a limited period (e.g., annually). Economic activities can increase people's income for a limited period. The parameter used to measure the economic progress is the level of progress of real GRDP (Ginting & Rasbin, 2010).

Effectiveness Ratio

Effectiveness is a measure of the success or failure of an organization to achieve its goals. If an organization is operating effectively, the most important thing to note is that effectiveness does not indicate how much money is being spent to achieve goals. The cost may be over budget and maybe double or triple the budget. Effectiveness can only be seen in plans or activities that have achieved a stabilized goal (Mardiasmo, 2004)).

Efficiency Ratio

According to research (Mardiasmo, 2004), efficiency means achieving maximum production on limited inputs or at least sharing inputs when achieving limited outputs. Efficiency is the ratio of production/input related to a standard or goal of a stabilized performance. The percentage of production can measure efficiency compared to inputs.

Government Investment

According to Government Regulation No. 8 of 2007, government investment is an investment where the central government invests significant amounts of capital/funds or commodities in purchasing securities and direct investment in the long term, which can return the principal plus economic, social, and economic benefits. Article 6 paragraph (1) stipulates that government investment is within the scope of opportunity to provide financing services for the public and commercial activities to improve services provided by related financial institutions for the public and commercial activities.

Equation Model

The equation model used in this study is as follows:

$$Pert.Ek = \alpha + \beta 1 Efektivitas + \beta 2 Efisiensi + \beta 3 Investasi + \epsilon \quad (1)$$

Discussion and Results

The Special Region of Yogyakarta is located in the central part of Java Island; in the south, it is bordered by the Indonesian Ocean with an area of 3,185.80 km, with a population of 3,514,762 people. Geographically, the Special Region of Yogyakarta is located between 70 33' South Latitude -8 12' South Latitude and 110 00' East Longitude-110 50' East Longitude, which the Indian Ocean borders in the south and Central Java Province in the other. The Special Region of Yogyakarta consists of 5 regencies/cities including: Sleman Regency, Gunung Kidul Regency, Bantul Regency, Kulonprogo Regency and the City of Yogyakarta. Sleman Regency is the area with the largest population in DIY, with 1,114,833 people or 31.71%. The area with the second largest population in Bantul Regency has as many as 927,956 people or 26 (BPS DI Yogyakarta Province, 2019).

Descriptive statistics

The descriptive statistical table above shows that the effectiveness ratio has a mean of 105.91 which means that the average competence of local governments in realizing the designed PAD compared to the specified goals is very effective. The percentage of financial performance achieved is above 100%. 105.91%. Meanwhile. the efficiency ratio has a mean of 121.09 which means that the amount of costs incurred in obtaining income is 121.09% of the total realized income. After that. the average value is 2661096376 billion rupiahs for government investment. The minimum value of economic progress is 111802795 and the maximum value is 9954372664 billion rupiahs.

Table 4. Descriptive Statistics

	Minimum	Maximum	mean	Std. Deviation
R. Effectiveness	92	129	105.91	9.659
R. Efficiency	86	153	121.09	23.649
Capital investment	399783662	9857908427	6074204317	3426853862
GDP	111802795	9954372664	2661096376	3607909773

Source: Data Processing Results

Regression Estimation

Table 5 shows the estimation result of regression. After this, we will test the classical assumptions, test the significance, and discuss the results. The normality test use the Kolmogorov-Smirnov method aims to determine whether the residual value is normally distributed or not. Based on the normality test results above. the significance value of the Kolmogrov-Smirnov is 0.200 ($p > 0.05$). so it can be concluded that the data is normally distributed. The autocorrelation test is a test that aims to determine whether there is a

10.12928/optimum.v12i1.4094

correlation between variables or not. In this case. the test is carried out by observing the Durbin-Watson value. In this study. N = 11 and k = 3. dL = 0.5948 and dU = 1.9280. Because the value of DW (2.001) > dL (0.5948). there is no positive autocorrelation as well as DW (2.001) < 4 - Du (2.072). so there is no negative autocorrelation. So it can be concluded that no autocorrelation was found in this study. The multicollinearity test checks whether the regression model found a correlation between independent or independent variables. If the tolerance value is > 0.10 and the VIF value is < 10.00. Based on the result of all of the variables VIF value < 1, it can be said that there is no multicollinearity. The heteroscedasticity test determines whether there is an inequality of variance from the residual value. Heteroscedasticity use the Glejser test method. Based on the result all of the independent variables are > 0.05, so it can be concluded that there is no heteroscedasticity problem.

Table 5. Estimation Result

	Unstandardized Coefficients		Standardized Coefficients		
Model	B	Std. Error	Beta	t	Sig.
Constant)	247609212.0	1.466E+10		0.017	0.987
R. Effectiveness	11675103.88	99343413.96	0.031	0.118	0.910
R. Efficiency	66110407.49	50968976.55	0.433	1.297	0.236
Capital investment	-1.124	0.274	-1.068	-4.102	0.005
Adjusted R^2	0.636				
F tabel Prob	0.017				
Diagnostic Tools					
Normality test	Valid				
Multicollinearity Test	Valid				
Autocorrelation	Valid				
Heteroscedasticity Test	Valid				

Source: Data Processing Results

Significance Test

The coefficient of determination or Godness of fit is used to measure how far the model's competency level is in explaining the independent variables. The value of the coefficient of determination (R^2) has a fundamental weakness: Therefore. this study uses an adjusted coefficient of determination (Adjusted R Square). Based on the interpretation results. the Adjusted R square value is 0.636. so the competence of the independent variable in explaining the variance of the dependent variable is 63.6%. It means that there is 36.4% (100% - 63.6%) of the variance of the dependent variable. which is explained by other aspects.

The F statistical test is used to understand whether all independent variables have an effect simultaneously or simultaneously on the dependent variable. The basis for making F

test decisions is to compare the calculated F values. If F count > F table. then the model is said to be significant. and vice versa if F count < F table. then the model is said to be insignificant simultaneously. Based on the regression test results. all the independent variables. namely the effectiveness ratio. efficiency ratio. and government investment. simultaneously affected economic progress in the Regency/City of DIY from 2009 to 2019. Obtained F-count value of 6.824 with F-table value of 4.26 so that F-count (6.824) > F-table (4.26). it can be concluded that all independent variables have a simultaneous effect on the dependent variable.

The t-test or partial test is carried out to check whether the independent variable has a partial effect on the dependent variable—the basic concept of decision making in the T-test. namely by comparing t count. If T count > T table. the model is said to be significant as long as the significance value is > 0.05 and vice versa; if t arithmetic < t table. then the model is insignificant. The t-test results show that the Effectiveness and Efficiency ratio variables do not affect economic progress individually, at the same time, the government investment variable has a negative effect.

Effect of Effectiveness Ratio on Economic Growth

The results obtained in this study indicate that the effectiveness ratio variable has a t-count value of 0.118 which is smaller than the T-table of 2.26216 (0.118 < 2.26216) with a significance value of 0.910 more significant than the value of 0. 05 (0.910 > 0.05). which can be concluded that the effectiveness ratio does not affect economic progress in the Regency/City of DIY. Thus. these results support research by Syamsudin et al. (2015). which states that the effectiveness ratio does not affect economic progress. The finding does not affect the effectiveness ratio on economic progress because the difference between the realization of PAD revenue with the goals of each region is not too significant or does not meet the economical. effective and efficient (value for money) efficiency. The lack of a considerable difference is less encouraging for economic progress in the DIY Regency/City area than in others.

If elaborated with data from the Ministry of Villages through the Establishing Village Index (IDM). each district in DIY has different levels of effectiveness. IDM specifically aims to be a village development database that is the basis for assessing village progress and independence in increasing the capability of the population to manage and utilize the potential that exists in each village. A village can be effective and efficient if it has a high IDM value. The higher the Establishing Village Index value. the higher the village community's quality of life and welfare. Based on the Village Building Index (IDM) value in the DIY

10.12928/optimum.v12i1.4094

Regency. only 8% or as many as 32 villages with an index > 0.8155 of the total villages in DIY Regency. 398 villages. The rest were jacked up by Maju Villages by 35%. developing villages by 45%. and Disadvantaged Villages by 12%. Although it is said that as much as 35% of Maju Villages and 45% of Developing Villages will be stable. the management of its potential will only be in the village area; in other words. the prospect of managed villages is aimed at improving the quality and welfare of life within the village scope. So that the effective and efficient level as measured through the Village Establishment Index (IDM) aims to encourage self-reliance and improve the community's economy on a local/village scale. With the existence of village economic development that continues to be intensified in the future. it is hoped that the community's economy as a booster of economic progress in the Special Region of Yogyakarta. both through regional potential in the agricultural sector.

Effect of Efficiency Ratio on Economic Growth

The results of the study indicate that the efficiency ratio variable has a t-count value of 1.297 which is smaller than the T-table of 2.26216 (1.297 < 2.26216) with a significance value of 0.236 more significant than the value of 0.05 (0.236 > 0.05). which can be concluded that the efficiency ratio does not affect economic progress in the Regency/City of DIY. Thus. these results support research by Syamsudin et al. (2015). which states that the efficiency ratio does not affect economic progress.

Performance-based budgeting requires a link between producing the results of a program/activity associated with the inputs used. In financial language. these inputs are reflected in the expenditures issued to finance training. one of which is direct expenditure (Felixs. 2016). the comparison ratio between PAD receipts and direct spending can be said to be inefficient because the ratio is above 100%. It happens because of the unavoidable or mandatory local expenditures in the Regency/City of DIY.

According to Permendagri No. 13/2006. direct expenditures are budgeted expenditures directly related to programs/activities. The direct spending consists of personnel expenditure; in this case. personnel expenditure is for the expense of honorarium/wages in carrying out activities or local government programs such as payment of salaries. compensation for overtime. the fee of meal allowances. and cost of honorarium/vacation. Meanwhile. direct non-spending for employees. such as payments for subscriptions for goods and services. prices for business trips. fees for land acquisition. and expenditures for goods/services. is used to procure goods whose practical value is less than 12 (twelve)

months. With regional costs that are unavoidable and the amount exceeds the realization of regional original income (PAD).

The Effect of Government Investment on Economic Growth

Based on the results of the study show that the government investment variable has a T-count value of -4.102 > T-table. which is 2.26216 (-4.102 > 2.26216) with a significance value of 0.005. which is smaller than the value of 0.05 (0.005 <0.05). which can be concluded that government investment has a negative effect on economic progress in the Special Region of Yogyakarta (DIY). The government investment variable shows the opposite or negative direction. The infrastructure sector still dominates the realization of investment in DIY. According to data from the Licensing Service. the completion of acquisitions carried out by the DIY government is dominated by the infrastructure sector by 76.2% or Rp. 1.6 trillion. the hotel and restaurant sector by 12. 6% or Rp. 265 billion and the trade sector by 2.8% or Rp. 57.87 billion.

Based on the explanation above. government investment should be one of the pillars in encouraging economic growth. but this study shows that government investment has the opposite/negative direction. It happens because the chosen investment experiences a time lag investment. It means that assets invested in a specific year do not directly provide additional returns or production output in the same year but will take several years later. Government investment is negative if the outcome produced is relatively small compared to the output produced in the previous year. so the difference in the production between the year the investment was invested and prior years has a negative effect.

Conclusions

Based on the results of the analysis that has been carried out. the following conclusions can be drawn. Financial performance is measured by the effectiveness ratio does not affect economic growth in DIY. It happens because the realization of PAD revenue is smaller than the amount of the budget that has been set. Financial performance as measured by the efficiency ratio does not affect economic growth. It happens because of unavoidable/mandatory regional spending. So that the costs incurred are more significant than the realization of PAD. Government investment negatively influences economic growth. It happens because of the time lag investment. For example. investments invested in a certain year do not directly provide additional output in the same year.

For further research, it is hoped that they can find other variables that strongly influence economic progress. Good, add variable-other variables such as the size of local government.

10.12928/optimum.v12i1.4094

success (wealth). financial performance. using the ratio of independence. Private investment to economic progress which is carried out using a multiple regression model

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