



The Impact of Capital Expenditures, Personnel Expenditures, and Expenditures on Goods and Services on Economic Growth in Aceh Province, 2011–2025

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ABSTRACT

This study aims to ascertain the impact of capital expenditures, labor expenditures, and goods/services expenditures on Aceh Province's economic growth between 2011 and 2025. Secondary time series data were utilized in this investigation. A quantitative approach is taken. The SPSS software was used to analyze the data using multiple linear regression equation tests. According to the study's findings, capital expenditures have a negative and negligible impact on Aceh Province's economic growth between 2011 and 2025. From 2011 to 2025, Aceh Province's economic growth is positively and significantly impacted by employee spending. From 2011 to 2025, Aceh Province's economic growth is negatively and negligibly impacted by spending on goods and services. For the years 2011–2025, Aceh Province's economic growth is positively and significantly impacted by capital expenditures, personnel expenditures, and goods/services expenditures.

INTRODUCTION

Economic growth is a key metric for assessing how well a place has developed. The government aims to enhance people's welfare and fortify the pillars of long-term development through steady economic growth. The capacity of economic activity to raise people's income by utilizing different production factors is reflected in economic growth (Fitri, 2026). However, the attainment of economic growth has not been equally distributed among regions, as in Aceh Province, even if it is a vital sign of development. Aceh Province's economic growth, as determined by the 2010 GDP on the basis of Constant Prices (ADHK), fluctuated between 2011 and 2025. It grew by 4% in 2012 compared to 2011, 3% in 2013, and 2% in 2014. Economic growth fell by 1% in 2015 compared to 2014. In 2016 it increased by 4% from the previous year, in 2017, 2018, and 2019 each increased by 4% from the previous year. In 2020 it decreased by 3.7% from 2019. In 2021 economic growth increased by 3%, in 2022-2024 it also increased by 4% each in a year. Meanwhile, in 2025 it increased by 3% from 2024.

The conditions of economic growth and fluctuations cause contradictions because the Aceh Provincial Government annually allocates considerable public spending, especially capital expenditure, employee spending, and goods/services spending through the APBD. According to (Adyanka, 2024), theoretically, capital expenditure is directed to strengthen infrastructure, production capacity, and regional economic activities. Employee spending is used to improve bureaucratic performance and the quality of public services. Meanwhile, expenditure on goods/services is used to purchase consumable goods and/or services, support the operation of activities, and produce goods and services. Capital expenditures may not significantly affect economic growth for a number of reasons. These include the ineffective utilization of capital expenditures, a lack of integration with important sectors, a mismatch with the demands of the local market, and national macro.

The evolution of capital spending in the province of Aceh from 2011 to 2025 experienced significant ups and downs. In 2012 it decreased by 81% from 2011, in 2013 it increased by 51%, in 2014 it increased by 31% from the previous year. In 2015 capital expenditure decreased by 19% from 2014. In 2016 it increased by 11% from the previous year, in 2017 it decreased by 5%, 2018 increased by 13%, and 2019 increased by 21% from the previous year. In 2020 it decreased by 80% from 2019. In 2021 capital expenditure increased by 20%, in 2022 it increased by 23%, in 2023 it decreased by 78%, in 2024 it decreased by 29% and in 2025 it decreased by 42% from 2024.

Capital expenditure has a close relationship with economic growth. Saragih Dalam (Aulia, 2023) explained that if the local government sets a capital expenditure or development budget that is larger than routine expenditure, then this regional budget expansion policy will boost regional economic growth. However, the phenomenon that occurs in Aceh Province, namely the development of capital expenditure, is not balanced with economic growth. Capital expenditure in Aceh Province includes low effectiveness of budget realization, high overpayment due to lack of work volume in activity packages,

and high dependence on balance funds. These challenges have an impact on regional financial performance and economic growth.

The study's findings (Alfayed, 2025) demonstrate that capital spending significantly and favorably affects economic growth. The study's findings (Gosal, 2022) demonstrate that capital spending significantly boosts economic growth. Nevertheless, the study's findings (Fitri, 2026) demonstrate that capital spending has no appreciable impact on economic expansion. The study's findings (Wiguna, 2021) demonstrate that capital expenditure has no appreciable impact on economic growth. Employee spending is intimately linked to economic growth in addition to capital expenditures. Employee expenditure has a significant impact on economic growth due to its position in local government economic growth, according to Edira (2023). Employee wellbeing and performance can be enhanced by high employee expenditure. The government must work to boost economic growth in proportion to the requirement for employee spending.

The development of employee spending in Aceh Province during 2011-2025 has fluctuated. In 2012 employee spending increased by 25% from 2011, in 2013 it increased by 17%, in 2014 it increased by 7% from the previous year. In 2015 employee spending decreased by 54% from 2014. In 2016 it increased by 41% from the previous year, in 2017 it increased by 58%, in 2018 it increased by 0.1%, and in 2019 it increased by 8% from the previous year. In 2020 it increased by 1% from 2019. In 2021 employee spending increased by 6%, in 2022 it increased by 2%, in 2023 it decreased by 5%, in 2024 it increased by 25% and in 2025 it increased by 9% from the previous year.

Employee spending contributes positively to economic growth. This demonstrates that employee spending can have a positive impact on economic growth if it is used effectively to boost worker productivity and the standard of public services. Employee spending's impact on economic growth is therefore directly correlated with how well it supports the region's productive economic activity (Rahmanda, 2025). The phenomenon that occurs in Aceh Province, namely the high expenditure of employees, indicates a low level of regional fiscal independence, where the regional budget is used to finance the bureaucracy, not to increase economic growth. The existence of tens of thousands of ASN data in the Aceh region (such as NIK, email, and work units) that has not been verified or inappropriate, which threatens personnel administration services and the payment of ASN rights.

The study's findings (Fitri, 2026) demonstrate that employee expenditure significantly and favorably affects economic growth. In the meanwhile, employee expenditure has a negative but insignificant impact on economic growth, according to the study's findings (Rahmanda, 2025). Employee expenditure has no discernible impact on economic growth, according to the study's findings (Wiguna, 2021). Spending on products and services has a direct impact on economic growth depending on how well it supports the region's productive economic activity. The government uses spending on goods and services to support the efficient operation of tasks in providing services to the community; therefore, the greater the realization of local government spending on goods and

services, the more economic activity there is in the area, which will ultimately impact the degree of economic growth (Gosal, 2022).

Goods/services spending in Aceh Province during 2011-2025 fluctuated. In 2012, goods/services spending increased by 26% from 2011, in 2013 it increased by 25%, while in 2014 it decreased by 146% from the previous year. In 2015, goods/services spending increased by 25% from 2014. It was down 11% in 2016, up 20% in 2017, down 0.1% in 2018, and up 25% in 2019. It dropped by 22% in 2020 compared to 2019. It rose by 28% in 2021, 14% in 2022, 56% in 2023, 3% in 2024, and 2% in 2025 compared to the prior year. The problem of goods/services spending in Aceh Province is often related to governance, efficiency, and compliance with regulations. There are still weaknesses in the internal control system. This has an impact on the lack of volume and inconsistencies in technical specifications in various work packages that have an impact on economic growth. There are often adjustments in documents related to the implementation of procurement due to changes in central regulations (for example, Presidential Regulation Number 12 of 2021) which causes the need to adjust documents so that legal problems do not occur in the future.

According to the study's findings (Gosal, 2022), spending on goods and services significantly and negatively affects economic growth. In the meantime, the study's findings (Rahmanda, 2025) clarify that economic growth is positively and significantly impacted by expenditure on goods and services. According to the study's findings (Rahmanda, 2025), expenditure on goods and services significantly and favorably influences economic growth. Conflicting findings were found in earlier studies on the impact of capital expenditures, employee spending, and spending on goods and services on economic growth. This compels the author to reconsider examples that are comparable. In order to examine the dynamic correlations between variables, this study used multiple linear regression tests. The purpose of this study is to ascertain how capital expenditures, labor expenditures, and goods/services expenditures affect Aceh Province's economic growth between 2011 and 2025.

LITERATURE REVIEW

Economic Growth

A long-term rise in production per person is known as economic growth. This means that over an extended period of time, the community's welfare is reflected in greater output, which leads to a diversity of options for the consumption of products and services and is accompanied by an increase in people's spending power (Yuniarti, 2020). According to (Yosie, 2026), local fiscal instruments are the main driver of the economy. Economic growth describes the financial condition of a region or country. This economic state affects the progress and dynamics of the industry in that area or country. The more advanced the economy of a region or country, the more job opportunities there are for residents in the location or country concerned.

Capital Expenditure

In order for individuals to benefit from regional development, capital expenditures are regional expenditures made by local governments, such as the development and enhancement of the transportation, health, and education sectors. It is anticipated that having adequate infrastructure will boost productivity and effectiveness across a range of industries. Economic growth is anticipated to expand as a result of increased community production. Because the service industry is supported by sufficient facilities, its development will encourage individuals to be more engaged and enthusiastic at work. Additionally, the facilities that the regions offer will pique the interest of investors. Local real income will rise as a result of increased community and regional investor productivity (Adyanka, 2024).

Employee Spending

According to the Ministry of Finance, employee expenditures include payments made to civil servants, state officials, retirees, and honorary employees (designated as government employees) in the form of cash or merchandise. This is given in exchange for their work to strengthen the functions of government organizations, except for work related to capital formation. Employee expenditure is an expense incurred to provide compensation in the form of salaries, allowances, and honorariums. Employee expenditure is classified as routine expenditure that does not directly contribute to increasing economic output, because it focuses more on consumption (Rahmanda, 2025).

Shopping for Goods/Services

Expenditure on goods and services refers to the use of services to carry out government operations in a region or the purchase of products in a government setting whose practical worth is shorter than a year in the accounting period. Government workers will be able to optimize public services when spending on goods and services is appropriately fulfilled (Gosal, 2022).

The Relationship between Capital Expenditure and Economic Growth

Economic growth is positively impacted by local governments' construction of infrastructure and facilities. Public infrastructure and facilities will be improved through ongoing public sector service improvement; government investment also includes improvements to health, education, and other auxiliary facilities. The amount of development capital procurement that is matched with GDP growth is a basic prerequisite for economic development. All expenses that boost productivity must be included in the broad definition of capital formation. It is anticipated that the region's economy will increase as a result of the addition of current infrastructure and improvements made by local governments. The local population's income will rise as a result of regional economic expansion, and this will also have an effect on the community's revenue (Putri, 2022).

Saragih Dalam (Aulia, 2023) explained that if local governments set a capital expenditure or development budget that is greater than routine expenditures, then this regional budget expansion policy will boost regional economic growth. Mardiasmo in (Aulia, 2023) explained that increasing local governments It is anticipated that capital investment (capital expenditure) will raise the standard of public services and, thus, raise the degree of public participation (public contribution) to development, as seen by the rise in PAD.

According to research (Putri, 2022), if the local government sets the development budget to be greater than routine spending, then the regional budget expansion policy will increase regional economic growth. To boost regional economic growth, the government must enhance capital investment. Economic growth is positively impacted by capital expenditures. The level of population productivity will be raised by allocating capital expenditures for the construction of infrastructure to support the economy. This can therefore raise the community's overall revenue, which is represented in per capita income. According to Machfud Dalam (Maury, 2023), capital expenditures have a beneficial impact on economic growth, and allocating capital expenditures for the construction of infrastructure to support the economy would increase population productivity. Labor is one of the elements that influences economic growth.

Naturally, one of the factors influencing a great workforce is their educational attainment. Because a skilled labor force can boost economic growth, the government must invest in the education sector. According to the study's findings (AA Pasaribu, 2023), the GDP of North Labuhanbatu Regency is positively and marginally impacted by an increase in government spending on education. This may occur as a result of educated graduates' continued inability to absorb labor in line with the demand for open positions. . The study's findings (Alfayed, 2025) demonstrate that capital spending significantly and favorably affects economic growth. The study's findings (Gosal, 2022) demonstrate that capital spending significantly boosts economic growth.

The Relationship of Employee Spending to Economic Growth

Employee spending has a role in maintaining the stability of household consumption through salaries and allowances for civil servants, while expenditure on goods and services is more widely used to support public operations and services. Not only that, capital expenditure is also very crucial in increasing production capacity by building infrastructure that is able to encourage long-term economic activities. Therefore, the balance and effectiveness in allocating these three types of expenditure greatly affect the direction of economic growth in a region (Rahmanda, 2025).

Employee expenditure is remuneration given to employees in the form of cash and merchandise in exchange for their labor supporting government initiatives. Because employee expenditure plays a significant part in local government economic growth, it has a significant impact on economic growth.. High employee spending can improve employee welfare and performance. The higher the need for employee spending, the government must strive to increase PAD so that data meets the needs of employee spending. Because financing for employee spending is sought from PAD (Edira, 2023).

The goal of building fixed assets in the form of facilities, infrastructure facilities, and infrastructure is to provide adequate public services so that they can increase PAD. Infrastructure, facilities, and infrastructure in the region will affect the expansion of the local economy. According to Edira (2023), having as many amenities and infrastructure as possible will encourage investors to make investments and start new companies. The results of the research in (Rahmanda, 2025) explain that in South Kalimantan Province, economic growth is growing due to the positive contribution of employee spending. This shows that if employee expenditure is used efficiently to increase employee productivity and the quality of public services, then there may be a favorable impact on economic growth. Therefore, how well employee expenditure is utilized to support the region's productive economic activity has a direct impact on economic growth.

The Relationship between Goods/Services Spending and Economic Growth

Expenditure on goods and services refers to the use of services to carry out government operations in a region or the purchase of products in a government setting whose practical worth is shorter than a year in the accounting period. Government workers will be able to optimize public services when spending on products and services is appropriately fulfilled. The government uses spending on goods and services to support the efficient operation of tasks in providing services to the community; therefore, the higher local governments' realization of spending on goods and services, the higher the realization of spending on goods and services in the region, which will ultimately impact the degree of economic growth (Gosal, 2022).

According to Keynesian theory, government expenditure on goods and services can raise demand overall and spur short-term economic development. Economic growth is the primary metric used to evaluate a region's development success. Increasing the economy's capacity for production leads to economic growth, which is reflected in rising population incomes. Good economic growth is reflected in a region's capacity to use resources effectively and generate sustainable goods and services (Rahmanda, 2025).

Theoretically, local government spending and investment from the private sector can affect economic growth. The large number of capital flows that come in is a good opportunity to obtain financing for regional development, because the economic development carried out by the local government is a continuous effort, so that the development is focused on increasing economic growth, therefore additional capital flows are needed sourced from private sector investment (Putri, 2022).

Effective planning is also crucial to the success of spending on goods and services. Spending on products and services must be well managed in order to concentrate on initiatives that will boost regional public services and economic sector output. Rahmanda (2025). According to the study's findings (Gosal, 2022), spending on goods and services significantly and negatively affects economic growth. The study's findings (Rahmanda, 2025) demonstrate that spending on goods and services significantly and favorably affects economic growth.

Conceptual Framework

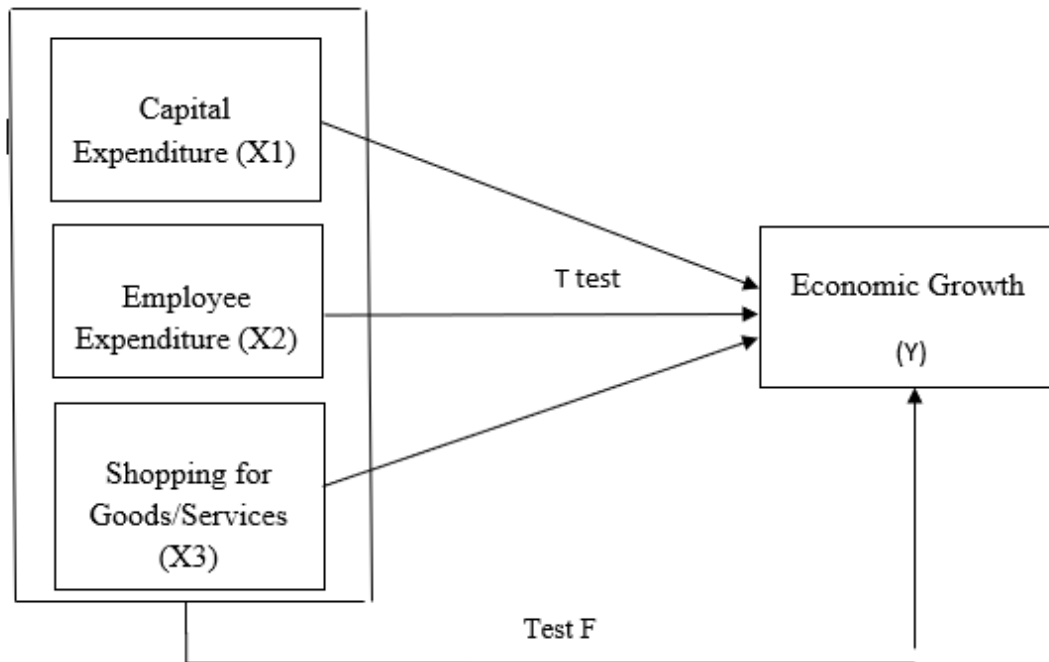


Figure 1. Conceptual Framework

METHODOLOGY

Since the research data is numerical, a quantitative approach was taken. In the meantime, the design is an experiment. In order to ascertain the impact of capital spending, personnel expenditure, and goods/services expenditure on economic growth in Aceh Province over the period 2011-2025, secondary data is needed for this study. While BPS Indonesia provided GDP statistics, djpk.kemenkeu.go.id provided information on capital expenditures, staff expenditures, and goods/services expenditures. . The study's sample spanned 15 years, specifically from 2011 to 2025, which was divided into a quarter. The multiple linear regression method was used to analyze the data. Tests for normalcy, autocorrelation, multicollinearity, heterokedasticity, partial test (t test), simultaneous test (F test), correlation coefficient, and determination coefficient are among the phases.

RESEARCH RESULT

The multiple linear regression method was used to analyze the data in this study. As a prerequisite test, a number of testing phases were completed before it was implemented.

Normality Test Results

The results of the normality test are:

**Table 1. Data Normality Test Results
One-Sample Kolmogorov-Smirnov Test**

	Economic Growth	Capital Expenditure	Employee Spending	Shopping Goods/Asa
N	60	60	60	60
Normal Mean	31,918.3240	484.0828	514.4952	971.9338
Parameters Std. Deviation a,,b	4,121.34759	172.30825	226.53544	271.33182
Most Absolute	.129	.095	.160	.156
Extreme Positive	.129	.065	.152	.156
Differences Negative	-.061	-.095	-.160	-.069
Kolmogorov-Smirnov Z	1.001	.737	1.242	1.207
Asymp. Sig. (2-tailed)	.269	.649	.091	.108

The probability (sig) of economic growth (Y) was $0.269 > 0.05$, capital expenditure (X1) was $0.649 > 0.05$, employee expenditure (X2) was $0.091 > 0.05$, and goods/services expenditure (X3) was $0.108 > 0.05$, according to the results of the normalcy test. This indicates that the study's independent and bound variables are all regularly distributed. This shows that the probability value (sig) is higher than 0.05.

Autocorrelation Test Results

Concerning the OLS assumption. The correlation between two interference variables is known as autocorrelation. Table 2 below displays the autocorrelation test results:

**Table 2. Autocorrelation Test Results
Model Summary^b**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.944a	.891	.885	1,396.82611	.288

The study's autocorrelation test results clarify that the DW Test value of 0.288 is not between $dL = 1.4797$ and $dU = 1.6889$, indicating that autocorrelation occurs in the data.

Multicollinearity Test Results

In this study, the results of the calculation of the multicollinearity test can be seen in table 3 as follows:

Table 3. Multicollinearity Test Results
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	23871.568	844.162		28.278	.000		
Capital Expenditure	-1.150	1.071	-.048	-1.074	.287	.972	1.029
Employee Spending	17.190	.839	.945	20.481	.000	.915	1.093
Shopping Goods/ Asa	-.248	.707	-.016	-.350	.727	.898	1.114

The multicollinearity test revealed that every free variable had a VIF value of less than 10 and a tolerance value greater than 0.1. These findings show that the resulting regression model was either devoid of multicollinearity or did not arise and was suitable for usage.

Heterokedasticity Test Results

The results of the heterokedasticity test can be seen in figure 2 as follows:

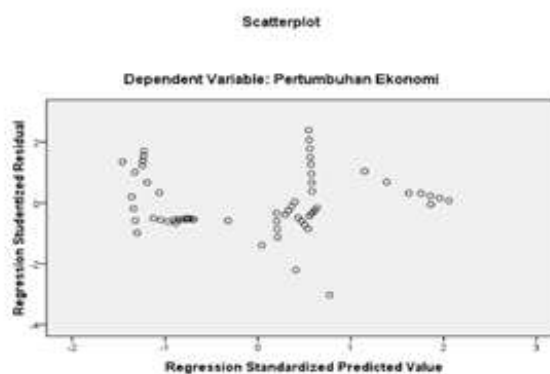


Figure 2. Heterokedasticity Test Results

There is no discernible pattern in the findings of the heterokedasticity test for the impact of capital investment, employee spending, and goods/services expenditure on economic development in Aceh Province over the years 2011–2025. and the dot points are dispersed above and below the Y axis' zero, indicating that heterokedasticity is not present in the study's findings.

Multiple Linear Regression Test Results

Table 4 below displays the findings of a data analysis using a multiple linear regression function on the impact of capital spending, personnel expenditure, and goods/services expenditure on economic growth in Aceh Province from 2011 to 2025:

Table 4. Multiple Linear Regression Test Results
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
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Shopping Goods/Services	-.248	.707	-.016	-.350	.727

a. Dependent Variable: Economic Growth

The multiple linear regression equation for the impact of capital investment, employee spending, and goods/services expenditure on economic development in Aceh Province from 2011 to 2025 is based on table 4 above.

$$Y = 2387,568 - 1,150X_1 + 17,190X_2 - 0.248X_3$$

From the above equation, it can be explained that:

- The constant value of 2387.568 means that if capital expenditure, employee expenditure, and goods/services expenditure are considered constant, then economic growth in Aceh Province for the 2011-2025 period is 2387.568 billion rupiah.
- The capital expenditure coefficient (X_1) is -1,150, meaning that if capital expenditure increases by 1%, then economic growth in Aceh Province for the 2011-2025 period will decrease by 1,150 billion rupiah.
- The employee expenditure coefficient (X_2) of 17.190 means that if employee expenditure increases by 1%, then economic growth in Aceh Province for the 2011-2025 period will increase by 17.190 billion rupiah.
- The coefficient of goods/services expenditure (X_3) of -0.248 means that if the expenditure on goods/services increases by 1%, then economic growth in Aceh Province for the period 2011-2025 will decrease by 0.248 billion rupiah.

Partial Test Results (t-test)

As shown in table 4 above, the hypothesis test was conducted using a t-test with a ttable value of $1.67203 = 1.67$ and a confidence level of 95% ($= 0.05$).

- Capital expenditure (X1) obtained a tcount of -1.074 with a significant level of 0.287 and a ttable value of 1.67. This means that the $t_{cal} < t_{table}$ is $-1.074 < 1.67$. This means that capital expenditure has a negative and insignificant effect on economic growth in Aceh Province for the 2011-2025 period.
- Employee expenditure (X2) was obtained at a rate of 20.481 with a significant level of 0.000. The value of the table was 1.67. Thus, the $t_{table} >$ calculation of $20.481 > 1.67$ means that employee expenditure has a positive and significant effect on economic growth in Aceh Province for the period 2011-2025.
- Goods/services expenditure (X3) obtained a tcal of -0.350 with a significant level of 0.727 and a ttable value of 1.67. This means that the $t_{cal} < t_{table}$ is $-0.350 < 1.67$. This means that the purchase of goods/services has a negative and insignificant effect on economic growth in Aceh Province for the 2011-2025 period.

Simultaneous Test Results (F Test)

Table 5 shows that the simultaneous or simultaneous result (F test) at the 5% significance level is 2.69:

Table 5. Simultaneous Test Results (F Test)ANOVA^b

	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	8.929E8	3	2.976E8	152.542	.000a
	Residual	1.093E8	56	1951123.173		
	Total	1.002E9	59			

The F test yielded a significance level of 0.000 and an Fcal value of 152.542. Meanwhile, the Ftable value with a significant amount of 5% is 2.77. Therefore, for $F_{cal} 152.542 > F_{table} 2.77$, $F_{cal} > F_{table}$. This indicates that from 2011 to 2025, Aceh Province's economic growth was positively and significantly impacted by capital expenditures, labor expenditures, and goods/services expenditures.

Correlation Coefficient and Coefficient Determination Test Results

The results of the correlation coefficient (R) and determination coefficient (R²) are as seen in table 6 below:

Table 6. Correlation Coefficient and Coefficient Determination Test Results

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.944a	.891	.885	1,396.82611

According to the study's findings, the correlation coefficient (R) of 0.944 (94.4%) indicates that, for the years 2011–2025, capital spending, personnel expenditure, and goods/services expenditure have a very significant association with economic growth in Aceh Province. The determination coefficient (R²) (adjusted R square) of 0.885 (88.5%) indicates that, during the 2011–2025 period, capital expenditures, employee expenditures, and goods/services expenditures can all account for 88.5% of the economic growth in Aceh Province. Other factors not included in this research model, like population, investment, unemployment rate, and Regional Original Income (PAD), affect the remaining 11.5%

DISCUSSION

The Effect of Capital Expenditure on Economic Growth in Aceh Province for the Period 2011-2025

Aceh Province's economic growth is negatively and negligibly impacted by capital expenditures from 2011 to 2025. The results of statistical tests demonstrate that the capital expenditure calculation of -1,074 is significantly less than the table's value, and even the value is negative. Furthermore, the capital expenditure coefficient of -1,150 indicates that Aceh Province's economic development will drop by 1,150 billion rupiah between 2011 and 2025 if capital spending increases by 1%. The low effectiveness of budget realization, the high rate of overpayment resulting from the activity package's low work volume, and the heavy reliance on balance funds are the reasons why capital expenditures had a negative impact on economic growth in Aceh Province between 2011 and 2025. Economic growth is impacted by this issue. If capital expenditures are mismanaged, budget absorption is slow, or projects are inefficient, they may have a detrimental effect on economic growth. This is typically demonstrated by the reduction of funding for other productive sectors and the obstruction of actual development (BPS, 2024).

The findings of this study contradict Machfud's assertion (Maury, 2023) that capital expenditures have a beneficial impact on economic growth and that allocating capital expenditures for the construction of infrastructure to support the economy will increase population productivity. Labor is one of the elements that influences economic growth. According to actual data, budget governance mistakes, slow realization (high SilPA), the predominance of apparatus spending, and poor project readiness which leads to funds not being absorbed optimally for the productive sector are the main causes of the negative or negligible impact of capital expenditure on economic growth in Aceh Province. Sometimes the distribution of capital expenditures does not correspond with the potential for regional excellence (e.g., tourism or agriculture). More money is embezzled for tangible initiatives that don't have a positive impact on the larger community (BPS, 2024).

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The findings of this study contradict those of the study (Alfayed, 2025), which demonstrates that capital expenditure significantly and favorably affects economic growth. Similarly, the study's findings (Gosal, 2022) demonstrate that capital expenditure significantly boosts economic growth. The findings of the study (Fitri, 2026), which demonstrate that capital expenditure has no discernible impact on economic growth, are also irrelevant to the findings of this study. According to the study's findings (Wiguna, 2021), capital expenditures have little bearing on economic growth..

The Effect of Employee Spending on Economic Growth in Aceh Province for the 2011-2025 Period

Aceh Province's economic growth is positively and significantly impacted by employee spending between 2011 and 2025. A statistical test demonstrating that the computation $> t_{table}$ and if employee spending rises by 1% both make this clear. Aceh Province's economy would expand by 17.190 billion rupiah between 2011 and 2025. demonstrates that the Aceh Provincial Government must work to boost economic growth in proportion to the requirement for employee spending.

The study's findings support the notion (Edira, 2023) that the purpose of constructing infrastructure, buildings, and other fixed assets is to offer sufficient public services in order to raise PAD. Regional economic growth will be impacted by the region's infrastructure, facilities, and infrastructure. It can be inferred that having as many facilities and infrastructure as possible will entice investors to make investments and start new companies. Employee expenditure is contributing positively to Aceh Province's economic growth. This demonstrates that employee spending can have a positive impact on economic growth if it is used effectively to boost worker productivity and the standard of public services. Therefore, how well employee expenditure is utilized to support the region's productive economic activity has a direct impact on economic growth (BPS, 2024).

Because employee expenditure contributes to economic growth in local governments, it has a significant impact on economic growth. Since employee spending is the primary factor influencing people's purchasing power, it significantly boosts Aceh Province's economic growth. Given Aceh Province's relatively high budgetary reliance on government transfer funds, the real sector's wheels are quickly turned on by this fund's infusion. While spending on goods and services is more frequently utilized to support public operations and services, employee spending contributes to the stability of household consumption through salaries and allowances for civil servants (BPS, 2024).

Because employee spending can boost domestic consumption, such as people's purchasing power derived from employee salaries triggering transaction turnover in traditional and retail markets, which dominate the Gross Regional Domestic Product (GDP), it has a positive and significant impact on economic growth in Aceh Province. Additionally, through the dual effect of employee spending, a steady flow of funds helps sustain economic stability for the middle and lower levels of society, thereby reducing poverty. In Aceh Province, employee spending can also boost derivative industries like consumption growth, which in turn can promote the growth of other industries like real estate, transportation, and micro, small, and medium-sized businesses (MSMEs) (BPS, 2024).

The findings of this study corroborate studies (Fitri, 2026) demonstrating that employee expenditure significantly and favorably influences economic growth. The findings of this study, however, contradict the research (Rahmanda, 2025) that explains that employee expenditure has a negative but insignificant impact on economic growth. Employee expenditure has no discernible impact on economic growth, according to the study's findings (Wiguna, 2021).

The Effect of Goods/Services Spending on Economic Growth in Aceh Province for the 2011-2025 Period

For the years 2011–2025, Aceh Province's economic growth is negatively and negligibly impacted by spending on goods and services. The statistical test's findings demonstrate that if spending on goods and services rises by 1%, Aceh Province's economic growth will therefore decline by 0.248 billion rupiah between 2011 and 2025. The inefficiency of budget allocation, low fund turnover in the local real sector, reliance on goods from outside the region (economic leakage), and the dominance of the portion of routine spending that sacrifices the allocation of productive spending are the main reasons why spending on goods and services in Aceh Province has a negative impact on economic growth.

The study's findings contradict Keynesian theory, which holds that government expenditure on goods and services can raise demand overall and spur short-term economic development. The process of growing the economy's productive capacity, which is mirrored in the rise in population income, is known as economic growth. Good economic growth is reflected in a region's capacity to use resources effectively and generate sustainable goods and services (Rahmanda, 2025). Regarding the theory of economic growth, Sukirno (2020) claims that the Ancient Neoclassical theory or right-wing thinking developed because this group disapproved of excessive government intervention in socioeconomic life. The welfare state's policies, which had allotted a significant amount of public funds for social welfare, were the primary target of their criticism.

The factors that cause the expenditure of goods/services to negatively affect economic growth in Aceh Province are due to economic leakage outside the region, for example, most of the goods needed by government procurement are supplied from outside Aceh Province. Because money moves straight to distributors or manufacturers outside the region, the distribution of cash does not rotate properly in the local economy. Additionally, the factors that lead to the expenditure of goods and services have a detrimental impact on economic growth because the expenditure of goods and services is primarily used for expenses where the budget is more absorbed for the administrative purposes of the agency's daily operations, such as meetings, office stationery (ATK), maintenance, and official trips. This kind of spending is temporary and doesn't generate additional production capacity or an economic multiplier impact. The process of purchasing products and services that often accumulates at the end of the year (Quarters III and IV) causes government funds to settle in banks for too long (BPS, 2024)

In Aceh Province, there is also an inaccuracy of targets and markup practices from the use of goods/services spending. The existence of inefficiencies and indications of price inflation (markup) causes the real value of goods received to be incomparable to the budget spent. This triggers the waste of the APBD/APBN without any increase in economic output. The lack of labor absorption from the use of goods/services spending in Aceh Province is different from capital expenditure (infrastructure construction that absorbs many workers and uses local materials), goods/services spending is generally more

transactional corporate and does not provide new job creation for the wider community (BPS, 2024).

The opinion is supported by the study's findings (Rahmanda, 2025). Effective planning is also crucial to the success of spending on goods and services. Spending on products and services must be well managed in order to concentrate on initiatives that will boost regional public services and economic sector output. However, the impact on economic growth will be negligible if the acquisition of goods and services is done in an inefficient or wasteful manner. The findings of this study corroborate the research (Gosal, 2022), which found that spending on goods and services significantly and negatively affects economic growth. The study's findings, however, conflict with those of another study (Rahmanda, 2025), which demonstrates that expenditure on goods and services significantly and favorably affects economic growth.

CONCLUSIONS AND RECOMMENDATIONS

The following conclusions can be drawn from the study's findings about the impact of capital spending, employee spending, and spending on goods and services on Aceh Province's economic growth:

- a. Capital expenditure has a negative and insignificant effect on economic growth in Aceh Province for the period 2011-2025. This result shows that when capital expenditure increases, economic growth will decrease.
- b. Employee spending has a positive and significant effect on economic growth in Aceh Province for the 2011-2025 period. This result shows that when employee spending increases, economic growth will also increase.
- c. Spending on goods/services has a negative and insignificant effect on economic growth in Aceh Province for the period 2011-2025. This result shows that when spending on goods/services increases, economic growth will decrease.
- d. From 2011 to 2025, Aceh Province's economic growth is positively and significantly impacted by capital expenditures, labor expenditures, and goods/services expenditures. The impact of capital expenditures, employee expenditures, and goods/services expenditures on economic growth can be explained by 88.5%. Other factors not included in this research model, such as population, investment, unemployment rate, and Regional Original Income (PAD), affect the remaining 11.5%.

Based on the results obtained above, the following things can be suggested:

- a. To the local government through capital expenditure, it is hoped that it will be able to provoke investor interest to open a business in Aceh Province so that economic growth will increase.
- b. It is hoped that the local government and the central government can help and encourage economic growth activities in Aceh Province, by not arbitrarily raising taxes but in terms of employee spending must be increased in order to be able to encourage economic growth.

ADVANCED RESEARCH

Future research is recommended to broaden the scope of variables by including more specific components of government spending, such as capital expenditures for basic infrastructure, allocations of regional transfer funds (TKD), or the efficiency of budget absorption, in order to examine their impact in greater depth on economic growth disparities among regencies and cities in Aceh Province.

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