

**Proceedings of  
The 2021 7th International Conference on E-  
business and Mobile Commerce  
(ICEMC 2021)**

**May 18-20, 2021  
Virtual Conference  
ISBN: 978-1-4503-7601-3**



**The Association for Computing Machinery  
2 Penn Plaza, Suite 701  
New York New York 10121-0701**

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**ACM ISBN: 978-1-4503-7601-3**

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# Preface

According to the original plan, the 2021 7th International Conference on E-business and Mobile Commerce (ICEMC 2021) should have been taken place from May 18-20, 2021 in Seoul, South Korea. However, due to the severe influence of COVID-19 around the world, it was a great pity that we could not gather in Seoul and communicate with each other in shared airspace, instead using face to face technology via zoom. Considering the current situation and the health and safety of attendees, the conference committee decided to convert ICEMC 2021 to a fully virtual event.

The purpose of ICEMC was to provide an opportunity for academicians and professionals from various educational fields with cross-disciplinary interests to bridge the knowledge gap, promote research and advance the evolution of pedagogy. We welcomed all the researchers, students, scholars, and professionals in the related fields to attend the conference.

This Conference Proceedings volume contains the written versions of most of the contributions presented during the conference of ICEMC 2021. These proceedings include 3 topic tracks: E-Commerce and Marketing Management, Enterprise Economy and Financial Management, and Economic Mathematics and Econometrics.

It continues to be critically important for us to communicate and research together in today's environment. We firmly believe that we are creating new platforms and new opportunities, jointly coping with the changes, challenges, and opportunities necessitated by the pandemic.

Efforts taken by peer reviewers contributed to improve the quality of papers provided constructive critical comments; improvements and corrections to the authors are gratefully appreciated. We are very grateful to the International/National Conference Committees, Session Chairs, student volunteers and Administrative assistants from all over the world who selflessly contributed to the success of this Conference. Also, we are thankful to all the authors who submitted papers, because of which the conference became a story of success. It was the quality of their presentations and their passion to communicate with the other participants that really made this conference series a grant success.

ICEMC 2021 Conference General Chair  
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# The Impact of The Regional Resources and The Use of Budget Income and Expenditure on Regional Economic Growth

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## ABSTRACT

The purpose of this study is to know an overview of the regional resources, the use of the regional budget as an implication of the management of regional finances, the economic growth. The method used in this study is mix method, sequential explanatory. The first step we used quantitative method, while the second step we used qualitative method. This is to strengthen the result of qualitative research in the first step, with questionnaire and interview for data collection techniques. The findings is the condition of high regional resources, high use of government income and expenditure budget, turns out that economic growth is low. The model found in the study is that economic growth in this region is determined by high potential management, and community productivity stimulated by the Government through the right development budget allocation to community empowerment. The model found that economic growth will be influenced by high regional resources and high use of regional budget income and expenditure, if there is community empowerment in using the regional resources and the right allocation of government budget to create priority programs in conducting development function.

## CCS CONCEPTS

• **Social and Professional Topics;** • **Computing/Technology Policy;** • **Commerce Policy;** • **Governmental Regulations;**

## KEYWORDS

Regional Resources, Budget Income, Budget Expenditure, Allocation of Budget, Community Empowerment, Regional Economic Growth

## ACM Reference Format:

Dedeh Maryani, Maya Syafriana Effendi, and Meiryani. 2021. The Impact of The Regional Resources and The Use of Budget Income and Expenditure on Regional Economic Growth. In *2021 The 6th International Conference on E-business and Mobile Commerce (ICEMC '21)*, May 27–29, 2021, Seoul, Republic of Korea. ACM, New York, NY, USA, 7 pages. <https://doi.org/10.1145/3472349.3472364>

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*ICEMC '21, May 27–29, 2021, Seoul, Republic of Korea*  
© 2021 Association for Computing Machinery.  
ACM ISBN 978-1-4503-7601-3/21/05...\$15.00  
<https://doi.org/10.1145/3472349.3472364>

## 1 INTRODUCTION

Development in all aspects of life will run well, if all components, government, community and private sector, take a part. The government carries three essential functions, service, empowerment and development. [1, 2] state that: "Government functions are divided into two types, primary function and secondary function. Primary function is a function that is continuously running positively related to empowered governed. It will not be reduced even with increasing economic, political and social conditions of the community. The more improved the conditions of society, the more the function of government increases [3]. While secondary function is function that is negatively related to the economic, political and social conditions of the community [6]. It means that the higher the standard of living, the stronger bargain position and the more integrative the governed community, the less the secondary function of government". The government is the main motor in driving development [4, 5]. There are many factors that influence the success of development [8]. In the context of economic development that is reflected by the regional economic growth, there are several affecting factors, the regional resources, and the ability of the government to exploit the resources of existing regions. Regional resources is physical and non-physical resources such as population, natural resources, artificial resources and social resources [7]. Meanwhile the government's ability to utilize existing resources can be reflected by its ability in managing regional finances. It will have implications for the use of regional budget, which is one of the driving resources of the implementation of regional economic development [9].

There are regencies in Priangan Region of West Java Province that are still have low revenue, so that the regional budget is also relatively small if compared to other regencies in West Java Province [10]. However, it doesn't mean that their development of economic growth rate is lower than other regencies in West Java. It depends on how to exploit the existing resources and the performance of the government, the use of the regional budget is one of the indicators [11]. The society demands on the ability of the apparatus or the performance of the apparatus in providing services to the community are relatively high. To meet the demands, the apparatus is demanded to be able to work professionally and be able to exploit the resources of existing regions, and be able to manage regional finances owned, so that it has implications for regional economic growth that is expected to increase community productivity and ultimately be able to improve welfare society which has been the hope of the whole community [12, 13].

Recently, there are a number of district and city regional apparatus in East Priangan, where is a relatively advanced region compared to other regions in West Java, that the ability to exploit the resources of the region are still not optimal and the ability to manage regional finances that will encourage community productivity does not fulfilled people's expectations [14]. It can be seen from several indicators, such as: the use growth of the regional budget is still below of 90%, as well as the implications for the regional economic growth as indicated by the GDP, the rate of economic growth, and PAD. The average economic growth in East Priangan West Java has relatively increased in 2018 compared to 2017. 6.02% to 6.41%. However, there are some districts and cities that the economic growth is still below 5% [15].

## 2 RESEARCH FRAMEWORK

The economic capability of a region can be shown by several indicators, its growth is influenced by several factors [16, 17]. One of them is the resources of the region. This is consistent with what was stated by [35] that: the spatial structure of economic activities in an area that include as a resources area has an influence on the location of various kinds of business/other activities both economic and social. Then [35] stated that a regional planner must have the ability to analyze the economic resources of his region. This is related to its obligation to determine the real sector that needs to be developed so that the regional economy grows fast. Therefore, the ability of local governments to see sectors that have advantages/disadvantages in their regions is very important [18, 19].

In addition to regional resources, a factor influencing regional economic development is the government's activities in managing its regional finances, as the allocation of the government's budget for the public is a driving factor for the community to carry out activities in building the economy of individual communities and their regions. This is in line with the opinion of [28] that regional economic indicators include: per capita household consumption expenditure, per capita household consumption growth, government consumption expenditure, government consumption expenditure growth, where government consumption expenditure is the use of regional expenditure budget [APBD]. So it can be said that it is one of the factors that can influence the development of the regional economy [20, 21].

## 3 RESEARCH HYPOTHESIS

- 1. There is a large and significant impact of regional resources (X1) on the regional economic growth (Y);
- 2. There is a large and significance impact of the use of the government budget income and expenditure (X2) on the regional economic growth (Y);
- 3. There is a large and significant impact of the regional resources (X1) and the use of the government budget income and expenditure (X2) altogether on the regional economic growth (Y).

## 4 LITERATURE REVIEW

### 4.1 Regional Resources Concepts

Regional resources will constitute regional competitiveness in regional economic development to improve the welfare of the people

in those regions. Therefore, each region must be able to develop existing and superior resources to be developed [22, 23]. It means that every planner in those areas must be able to read which resources should be developed and that will give benefit to those areas and which are less profitable, they should determine which priorities that will receive intensive management and which ones are will not.

David Ricardo, quoted by [35] argued that: if there are two countries that have trading relationships of each other and each country concentrates itself on exporting goods for which the country has a comparative advantage then both countries will be mutual beneficial. It is not only beneficial in international trade but also very important to consider in the regional or regional economy [24, 25].

### 4.2 Regional Financial Management Concepts

- The importance of regional financial management is to protect the interests of the community as one of the objectives of governance. [26, 27] stated that: "The importance of regional financial management is as follows: that financial control has such a great influence in the future for the population in the area that the adopted policy is an activity that creates prosperity or weakness, triumph, or the downfall of the population of the area;
- that the intelligence of regional control will not produce satisfying and lasting results without good financial control, moreover without the ability to see ahead with full policy that must be directed to protect and enlarge regional assets;
- that the budget is the main tool for controlling regional finances so that the draft budget that is confronted by the legislative must be precise in its form and composition by containing a design made based on expertise with a wise upfront view. This is in line with the finding of [30, 31] that on the links between QPF and growth, reviews how EU Member States fare in those aspects and analyses some links between QPF and growth based on a growth-accounting approach. Furthermore [18] revealed that state have work hard to reach and maintain a long-term budgeting perspective, particularly by improving the accuracy of revenue and expenditure estimates. Also, many states have improved budgeting transparency by increasing citizen access to budget information, document and budget discussions [28, 29]. On the other hand, state budget management progress suffers from the politics of budgeting. Then the political discipline necessary to reach compromise regarding the budget, and to work toward budget balance, will suppress state budget management progress. According to [39] the efficiency in public services more generally and in public spending on education and R &D in particular varies significantly between countries. While [24] argued that Community based schemes for enhancing local government accountability need to combine legal, political, and administrative mechanisms with proactive community involvement [32, 33]. Of particular importance are the legal and budgetary instruments that require input from local community members on certain local government decisions and instruments that increase

accessibility for the press or the general public at large to information on government activities [34]. In addition, the role played by the externalities associated with all three types of public services in the health and human capital technologies [35].

### 4.3 Regional Economic Concepts

Understanding of economics has been raised by many experts, including [34] argues that: "Economics is a study of individuals and society in making choices, with or without the use of money, using limited resources, but it can be used in various ways to produce various types of goods and services and distributes them for consumption needs, now and in the future, to various individuals and groups of people." Meanwhile [35] stated that: "Economics is the study of how humans meet their needs for life which availability or ability of people to get it is limited". [35] further stated that the regional or regional economy or region is an economy which in its discussion included elements of resources differences from one region to another.

### 4.4 The Relation of Regional Resources on Regional Economic Growth

[7] knowledge capital, both of Research & Development capital and technology imports contribute significantly, with similar impact to regional economic growth. The analyses also suggest the existence of R & D spillovers as well as international knowledge spillovers [39]. Moreover, a region's absorptive ability is considered as the critical capability to absorb external knowledge sources embodied in FDI and imports, which then contribute to the regional economic growth. In line with other experts [40] stated: 1) capital accumulation was a major source for growth in the earlier stage of the Chinese economy, especially in the eastern coastal region. 2) the employment structure of the economy in the eastern region has changed significantly and the shares of workers in the secondary and tertiary industries increased until 1992, 3) four distinguishable regional growth patterns have contributed to China's economic growth and 4) production technologies in each province vary both in the direction of factor intensity and in the elasticity of substitution between inputs. In addition [9] that expenditure patterns are homogenous and that any apparent heterogeneity in conventional demand impacts depends primarily on scale [40]. However, a disaggregation of their income by source reveals a disparity in degree of dependence upon funding from the devolved Scottish Government [38Torki]. Acknowledging the binding budget constraint of the Scottish Government, and deriving balanced-expenditure multipliers, reveals large differences in the net-expenditure impact of HEIs upon the Scottish economy, with the source of variation being the origin of income [36, 37].

### 4.5 The Relation of Budget Income and Expenditure (APBD) on Regional Economic Growth

[38Torki] said, that there is a positive impact for both total government expenditure and current government expenditure on economic growth. Based on the findings of the empirical analysis, the

study recommends that capital government expenditure should be directed mainly to current productive economic activities in order to stimulate activities in the economic sectors. [29] said that 10 provincial governments productive expenditures in education promoted economic growth in the 25 pre-decentralization provinces; and 2) productive expenditures in the security and public order sector, health and education sector have promoted economic growth in the 33 post-decentralization provinces. In line with other experts, [10]revealed achieving the financial sustainability of the central budget and the autonomy of the local community based on the budgetary equilibrium, so that the local budget deficits should not become global. Thus, the financially autonomous local communities have to efficiently plan and manage the local income and expense budgets. The Holt-Winters model should offer a good tool in order to achieve this task. While [15] said that a number of empirical studies have found that a rise in public investment significantly reduces business costs and improves business profitability by raising the long-run growth rate. Furthermore, [8] stated that : 1) capital expenditures which divided into productive capital expenditures and less productive capital expenditures has affection on regional gross domestic product, 2) regional gross domestic product has affection on the forming components of local own-source revenue. Furthermore, less productive capital expenditures and productive capital expenditures have indirect effect on local own-source revenue through regional gross domestic product. While [13] argued that economic agglomeration significantly and positively affects income inequality. However, economic growth does not have any significant effects on income inequality. In addition, [2] said that defense expenditures, decentralized expenditures (local or regional), and expenditures in Santa Cruz Department represent the best ways for government to boost the country's growth. Expenditures on additional areas, such as education, and in other promising departments, such as Beni and Oruro, have the resources for generating significant growth and should be considered areas for possible government intervention. According to [5, 6] excessive expenditure decentralization within the region, which is not accompanied by the respective level of revenue decentralization, is significantly and negatively related to regional economic growth [41]

## 5 RESEARCH METHODS

The method used in this research is mix method, sequential explanatory. For the first step we used quantitative method, while for the second step we used qualitative method. This is to strengthen the result of qualitative research in the first step. There are 3 variables, two independent variables and one dependent variable. X1 is regional resources, X2is use budget income and expenditure absorption (APBD) and Y is regional economic growth.

The paradigm of the research from the three variables can be explained as the following (Figure 1):

Y : The Regional Economic Growth of West Java

X1 : The Regional Resources

X2 : The Use of Regional Budget and Expenditure

Ei : Unstudied Other Variables

Rx1x2 : Structural Parameter showing the correlation between X1 and X2

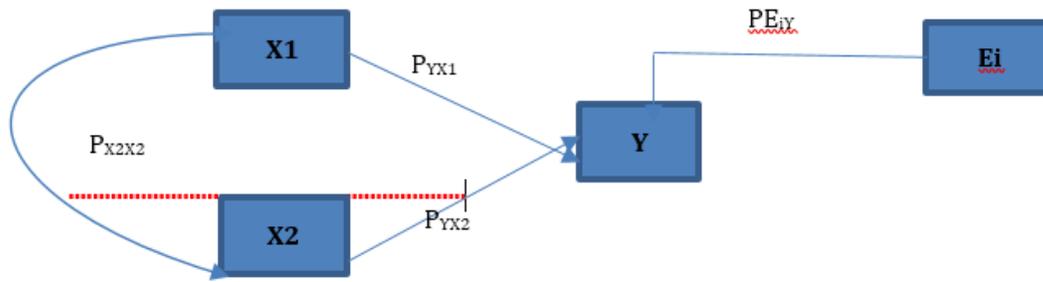


Figure 1: The Paradigm of the Research

Table 1: Each Dimensions Category of Regional Resources

Dimension	Number of Indicator	Score	Category
The Availability of Financial Agency	2	304	High
The availability of Trade Facilities and Infrastructures	2	283	High
The availability of Facilities and infrastructure of education	4	583	High
The availability of facilities and infrastructure of transportation and communications	6	821	High
The availability of facilities and infrastructure of tourism	3	372	Low
The availability of employment	4	394	High
Sum	21	Average	Low

Source: The Result of Data Processing

$P_{YX1}$  : Structural Parameter showing how far the impact of X1 on Y

$P_{YX2}$  : Structural Parameter showing how far the impact of X2 on Y

$P_{YEi}$  : Structural Parameter showing how far the other variables on Y

According to the paradigm of the research, there is a correlation among variables as the following:

- (1) The simultaneously impact of X1 and X2 Variables on Y variable.
- (2) The impact of X1 variable on variable Y.
- (3) The impact of X2 variable on Y variable.
- (4) There is a correlation between X1 variable and X2.

While other variable (Ei), although they are not measured, they remain effect Y variable relatively.

The population in this study were Local Planning Offices in 6 regencies in the East Priangan region, where the respondents were all chairpersons and The Head of Division and The Head of Administration Unit.

For data collection techniques, we used a questionnaire. While the data analysis are used: 1. descriptive analysis to determine the condition of each variable whether it belongs to the category of very high, high, low, and very low. And 2. Hypothesis test with path analysis.

## 6 RESULTS AND DISCUSSION

### 6.1 Descriptive Analysis Results

The results of this study that showed the condition of three variables in 6 regencies/cities in the East Priangan region, the regional resources variable (X1), the budget use of the economic growth variable (X2), and the regional economic variable (Y) can be seen in table 1 respectively. , table 2, and table 3

Based on the three tables above, it can be shown that the regional resources is high, the use of Regional Budget and Expenditure is high, but economic growth is relatively low. According to the secondary data and the results of the interviews with several heads of Regional Planning Offices in East Priangan, it is due to the fact that the budget allocation for productive public interests is still low if it compared to the apparatus budget, which is almost with the ratio 30%: 70% of the total of the Regional Budget and Expenditure. In addition, the determination of priority programs needed by the community from the public budget by the apparatus is still low, because when the organizational unit determines program activities is not based on current data and evaluation results of program accuracy and targets, but it is based on last year’s program routines and then add 10% of the budget of the previous year. While, the types of programs and activities is remain the same with the previous years.

**Table 2: Each Indicator category of The Use Regional Government Budget Income and Expenditure**

Indicator	Number of Item	Score	Category
The total of budget that can be used and accountable	1	163	High
Percentage of budget that can be used and accountable	1	157	High
Sum	Average	155	High

Source: The Result of Data Processing

**Table 3: Each Dimension Category of Regional Economic Growth**

Dimension	Number of Indicator	Score	Category
GRDP	3	354	Low
Revenue	4	374	Low
Sum	7	Average	Low

Source: The Result of Data Processing

## 6.2 The Result of Hypothesis

To find out how far the impact of the regional resources variable on the ability of the regional economy, how far the influence of the use growth of the regional budget on regional economic growth, and how far the influence of the regional resources variable and the use growth of regional budget on regional economic capability, it is used path analysis.

The path coefficient:

$$PYX1 = 0,436 \text{ (by SPSS application)}$$

$$PYX2 = 0,342 \text{ (by SPSS application)}$$

The correlation coefficient:

$$RX1X2 = 0,674 \text{ (by SPSS Application)}$$

Direct impact :

$$X1 \text{ to } Y (Pyx1) = 0,4362 \times 100 = 19,05\%$$

$$X2 \text{ to } Y (Pyx2) = 0,3422 \times 100 = 10,07\%$$

Indirect impact:

$$X1 \text{ to } Y \text{ by } X2 = 0,436 \times 0,674 \times 0,342 \times 100 = 10,07\%$$

$$X2 \text{ to } Y \text{ by } X1 = 0,342 \times 0,674 \times 0,436 \times 100 = 10,07\%$$

Direct and indirect impact:

$$X1 \text{ to } Y = 19,05\% + 10,07\% = 29,12\%$$

$$X2 \text{ to } Y = 10,07\% + 10,07\% = 21,77\%$$

Total impact X1 dan X2 to Y is 50.89%

The impact due to other factors not examined is  $100\% - 50.89\% = 49.11\%$ .

From these results it can be concluded, that the higher the regional resources, the higher the regional economic growth. Likewise, the higher the use regional government budget income and expenditure, the higher regional economic growth. This is logical, because if the regional resources is high, then if it is empowered and utilized properly by the regional government and the people in the area concerned, it will certainly support the ability to grow and develop the regional economy in the area. Likewise, the use the regional budget and expenditure which is the government's effort in carrying out its functions, carrying out development, community empowerment and providing services to the community and making arrangements for good governance, will also have a good impact on the regional economic growth.

Because of the results of respondents' answers, that at the moment the East Priangan region of West Java Province has the regional resources of the area which is included in the high category, it needs to be utilized optimally, then it is able to provide a good boost to the economic growth of the region, which will ultimately be able to good welfare to the community.

In addition, at this time also the use growth of regional budget income and expenditure in the Regencies in the East Priangan region is also included in high category. Therefore, the proper allocation in accordance with the priorities needed by the region must continue to be pursued, so that the development targets and community empowerment will be closer to the goals, visions, and missions of each region, which will ultimately support the achievement, vision, mission and goals of West Java Province and widely will support the achievement of national goals. However, from the two high X variables, it is unable to boost the regional economic growth, there is economic growth year to year. Therefore, the ability of the apparatus in managing the regional budget and expenditure needs to be improved in order to enhance their financial performance, then the amount of the budget allocation for the apparatus and the budget allocation for community productive economic activities is balance. The best ratio should be 50%: 50%. The ability of the apparatus to be able to determine program priorities in each region and every year is getting more precise also.

According to the result of quantitative analysis above, then we continue it with qualitative analysis. From the result of the interview with the informants and the examined documents, it shows that the high regional resources and the high use of government income and expenditure budget will have an impact to the economic growth if the resources are used by the people through community empowerment programs and the right allocation of government budget in determine priority program in order to improve the productivity of the people, and it eventually will have a good impact to the economic growth.

The result of this study shows the following model (Figure 2):

X1: High Potential

X2: The Amount of Budget Income and Expenditure

Z1: Community Empowerment

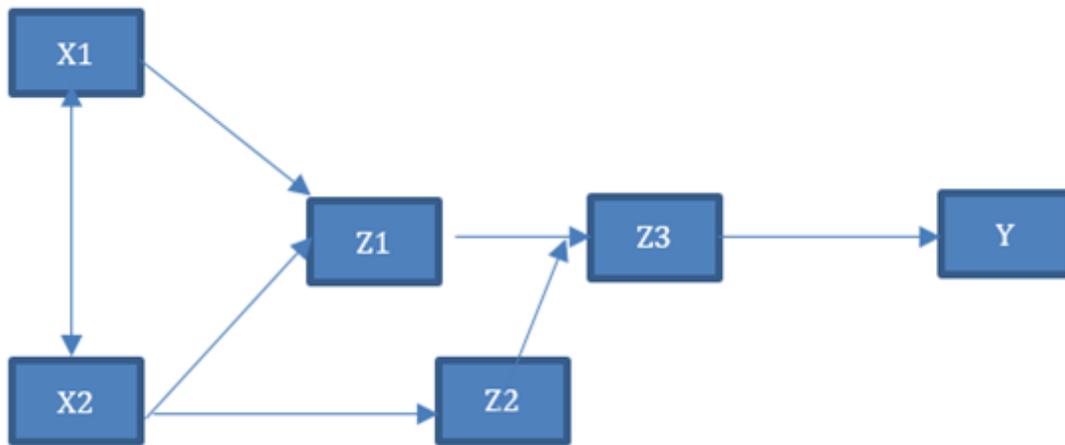


Figure 2: Economy Growth

Z2: The Right Development Budget Allocation  
 Z3: Community Productivity  
 Y: Economic Growth

## 7 CONCLUSION AND RECOMMENDATION

### 7.1 Conclusion

- All dimensions of the regional resources in the Regency in the East Priangan region are included in high category, except the dimensions of the number and quality of tourism objects are in the low category.
- In the use regional budget income and expenditure, the indicator of the amount of the use growth of regional budget and expenditure in the Regencies in the East Priangan West Java Province is high category.
- All dimensions y of the regional economic growth in the Regencies in the East Priangan West Java Province are included in the low category. Although the regional resources and the use of the regional budget and expenditure are high, the regional economic growth is remain low because the budget allocation is not appropriate with the target.
- The impact of regional resources on regional economic growth in the regencies in the East Priangan West Java Province is large, it is almost to 29.12%. While the impact of the use regional budget income and expenditure on regional economic growth is enough, it is 21.77%. The impact of the regional resources and the use of the regional budget income and expenditure are also included in the large category, which is 50.89 %.
- We found that economic growth will be influenced by high regional resources and high use of regional budget income and expenditure, if there is community empowerment in using the regional resources and the right allocation of government budget to create priority programs in conducting development function.

### 7.2 Recommendation

- At this time human life is physically do some development. Therefore, it is necessary to have a balance with psychological progress, one of which is tourism services, especially tourism areas. Because the tourism resources, especially in terms of quality is still included in the category of inadequate, it is recommended the need for excavation, development and optimal utilization.
- The use growth of the regional budget to carry out government functions, development, community empowerment, services and arrangements, is included in the high category, it is necessary to improve the ability to determine the majority of planned programs and carried out annually, so that programs can be selected that can accelerate the development of regional economic growth.
- The ability of the regional economy in the Regency in the East Priangan Region West Java Province is still relatively low, and from the results of this study, the other factors besides the regional resources and the use growth of the Regional Budget are still high, approximately 49%. Therefore there is a need for further research on the same thing from different aspects.
- Once the higher the resources of the region and the higher the use regional budget budget income and expenditure that has significant impact on the regional economic growth, then innovations in the utilization of regional resources must continue to be developed, so that the utilization of regional resources will be used appropriately. Likewise, the allocation of funds for various activities must always be evaluated, so that the most appropriate formula will be found for each region.
- The practical implication of this study is the local government should take the model found to be implemented in conducting the development function to improve the economic growth.

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