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Influence of Government Expenses to Economic Growth and Manpower Absorption at Regencies/Cities in Central Kalimantan Province

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Abstract

As the impact of the enactment of Regional Autonomy, the regional government administration has authority to determine priority of development either for the principal regency or for the new-established one, through the government expenses, particularly allocation the capital expenses available at the APBD (Regional Revenue and Expenditure Budget). Capital expenditure allocated for infrastructure development is expected to be able to stimulate the economic growth and manpower absorption at regencies / cities in Central Kalimantan Province. During the period from 2003 till 2010, the government capital expenditures of the regencies/cities in Central Kalimantan Province certainly tend to increase, however they have not yet been optimum to overcome the basic problems, among others the relatively low economic growth, low job opportunities and low index of human development.

This research is intended to test and analyze the government expenses projected to the capital expenditures on economic growth, and manpower absorption at regencies/cities in Central Kalimantan Province, Indonesia. Population of this research are the whole regencies and one city. This research applies the secondary pooled data from the combined time-series data (8 years) and cross section data (14 regencies/cities) and the total 112 objects of research are obtained from the Central Board of Statistics of Central Kalimantan Province and regencies / cities. Data are analyzed by using the Path Analysis applying the package of SPSS Program using Version 20.

The finding in this study is that the influence of government expenses or capital expenditure to the economic growth is significant. Then, the influence of government expenses or capital expenditures to the manpower absorption is not significant. Based on the finding in this study, it can be concluded that the economic growth constitutes an important variable very much needed to be taken into our attention in formulating the policies in the effort to improve the people welfare in regencies / cities in Central Kalimantan Province.

Keywor*ds:* Government Expenses, Economic Growth, Manpower Absorption.

1.Introduction

A research on Regional Development conducted by World Bank, 2003, states that in stimulating the growth of Regencies / Cities, an emphasis needed to be given to the effort in improving the public services, such as: First, good governance will motivate high quality financial manage-ment and provision of services. Second, the inventors interested in such progress will stimulate the local economic growth, so that it can improve the life quality for all people including the poor. Third, the local economic development will strengthen the regional finance and will help eliminate poverty through establishment of work field. Fourth, the stronger fiscal position will improve the services to community and will make the development cycle continuously move forward.

In line with such a condition, R.A. Musgrave and P.B. Musgrave (1989: 6-13) state that in the scheme of running the government administration, community services, and development, then the state government administration in principle takes the three main functions, namely: function of allocation, function of distribution, and function of stability. The allocation function among others covers the economic resources in the forms of goods and community services. The distribution function among others covers: community earning and wealth as well as the even spread of development. The stability function: defense, security, economy and monetary.

Regional development as an integral part of national development is carried out based on principles of autonomy and arrangement of resources providing opportunities for improvement of the regional performance to improve the people welfare. Implementation of regional government administration as a sub-system of the state government administration is intended to improve the community service system. Due to its status as an autonomous region, the region has authority and responsibility to run for the people interests. In stimulating the progress of economic growth, we need to have the economic policy or the role of government in regulating the economy as the effort to maintain stability in economy, covering the macro policy, sectoral / regional policy and the micro policy (Tambunan, 1996: 233-234).

Functions of allocation and distribution in general are more effectively carried out by regional government administration, because the region knows more about its needs and standard of its community services. Further, on its implementation, an attention needs to be given to the different condition and situation available at the respective regions. Distribution at the function of allocation, function of distribution and function of stability is very important as the foundation in determining the bases of financial consideration between the national and the regional government administration explicitly and distinctively. On its general explanation of the Law No. 33 the year 2004 on the Financial Balance between National Government and Regional Government, it is stated that the implementation of regional government function will be optimally carried out if the implementation of government affairs is followed by the provision of sources of sufficient revenue to the region, by referring to the Law on Financial Balance between the National Government and Regional Government, in which its amount is adjusted and synchronized to the distribution of authority between the National Government and the Regional Government. All financial resources attached to each government affairs handed to the region becomes the regional financial resources. The financial balance between the national government and the regional government in Law No. 33 the year 2004 also explains that in order to support the implementation of regional autonomy through the provision of funding resources based on authority of the National Government, Decentralization, De-concentration, and the Assisting Task, the financial balance between National Government and Regional Government needs to be regulated in the form of the financial system regulated under the basis of clear or distinctive distribution of authorities, tasks, and responsibilities among the government structures.

The financial balance between the National Government and Regional Government is a financial distribution system which is just, proportional, democratic, transparent, and efficient in the scheme of funding the implementation of Decentralization, by considering the regional potential, condition, and needs, as well as the amount of fund to implement the De-concentration and the Assisting Tasks. Decentralization is a hand-over of government authority by the National Government to an autonomous region to regulate and manage the government affairs under a system of Unity State of The Republic of Indonesia. De-concentration is a delegation of authority from the National Government to a region and/or to a village or to another nomenclature with the obligations to report and to take accountability of its implementation to the assigner. On application of policy as specified by Law No. 23 /2004, the region has a larger authority in managing the regional finance. Such a condition opens the opportunity for the regional government to show its ability in managing its finance. Realization of government expenses of Central Kalimantan Province will continuously undergo the increase to finance the development, particularly the development in public sectors covering the infrastructure and facilities in the scheme of supporting the economic activities in general.

2. Literature Study

2.1.Theory of Government Expenses

Model of government expense is developed by Rostow and Musgrave (1999) who connected the development of government expenses at the stages of economic development as follows:

At the initial stage of economic development, the percentage of government investment to a total investment is big, because at this early stage the government has to prepare the infrastructures, such as for education, health, transportation and the like. At the middle stage, namely on economic growth, the government investment is still required in order to improve the economic growth so that it can start to take off. At this stage, however, the role of private investment is getting bigger. At the next stage of economic development, the government activities changes from providing the infrastructure to the expenses for social investment, such as the old-age welfare program, community health service program and the like.

Based on the development stages connected to the government expenses for investment, it appears that at the initial stage of economic development, the expense percentage of government investment for the total investment is big, because at this stage the government has to provide the infrastructures, such as for education, health, transportation and the like. The same opinion is also given by Due (1984) stating that the government can influence the actual level of Gross Domestic Product (PDB) by changing the stocks of various factors able to be used in production through the government expense programs, such as education.

At the middle stage of economic development, the government expenses in the form of investment are still needed to increase the economic growth in order to be able to take-off. At this stage, however, the role of private investment has already been getting bigger. The role of government at the middle stage remains big, therefore the getting bigger role of private sectors causes a lot of market failures, and it also causes the government has to provide the goods and public services at bigger quantity and at better quality. In addition, at this stage the economic development causes more complicated relationship among sectors. For example, the economic growth caused by the development in industrial sector will cause the higher level of air and water pollution, and the government has to be involved in regulating and reducing the negative impacts of the said pollution to community. The government must also protect labors who are in weak position in order to be able to improve their welfare. Musgrave is in the opinion that in a process of private investment development, its percentage to Gross National Product (GNP) is getting bigger whereas the percentage of government investment to GNP will be getting lower at the further level of economic development.

Adolf Wagner (1987) exposed a law the so-called “Law of Ever Increasing State Activity” (the law on ever increasing activities of the government). Wagner declared a theory on development of government expenses which was getting bigger in its percentage to the GNP based on his observation to some countries in Europe, USA, and Japan in the 19th century. According to Wagner if the development of government expenses are relatively the same as the theory of Musgrave, then the Law of Wagner is as follows: “In an economy, if the income per capita increases, relatively the government expenses will increase as well.” Meanwhile the causes of increase of government expenses are as follows: 1) War. Once the expenses are issued for the requirement of war, it will be very difficult to reduce it although the war has ended. The expenses have still to be made for the soldiers who have already been appointed as the civil servants, in which they are formerly unemployed and not becoming the responsibility of the government. Consequently, either the expenses or the state revenue tend to remain increasing. 2) Increase of Income level in Community. Due to the increase at the level of income, the need for consumption of the goods or services will increase as well. The increasing demands for goods and services cannot all be fulfilled by private sectors, for example the education, public health, maintenance of the road and bridge infrastructures. 3) Urbanization occurring together with Economic Development. Urbanization or the moving of people from the villages to cities needs to be served by the government by providing fields of work, the needs for electricity, drinking water, housing, security and health. Urbanization usually occurs together with the industrialization and economic development. 4) Development of Democracy.

Development of democracy requires a very high cost, particularly to hold the deliberations, voting, meetings and the like. All of these activities are held by government, because only the government has the ability to maintain the interests of all parties or individuals in community. 5) Frequently, the more developed role of government even causes the more inefficiency, lavishness and bureaucracy so that the government expense is even getting bigger. 6) For the developing country, the role of government in economic development is getting more prominent, because the government acts as a motor and pioneer in economic development. Government directs development through the development plans, such as RPJM (Medium Term Development Plan). 7) The establishment of community welfare programs, such as Orphanage Care, Senile Care Program, and the like.

2.2. Role of Regional Government in Development Expenses

Adam Smith (1776) stated that the individual freedom at the economic competition would be able to stimulate individuals to obtain the best, because it is set up by the invisible hand. This gives a birth to an opinion that the role of government in economy will become an obstacle. Such an opinion is based on the assumptions as follows: the productive resources are owned by private, all transactions occur at the perfect competitive markets, all information is perfectly available and the resources have the moving nature. If the condition meeting such assumption cannot be fulfilled, a market failure will occur and identified by the market imbalance. Government interference is still required to regulate the economy, or the government has the functions and roles, among others: Function of allocation, function of distribution and function of stabilization (Mangkoesoebroto, 2010:2). From the view point of its role, the economic activity cannot be separated from the two main activities, namely: Activity deriving from private sector and that from the government sector, each of which has the role in development of regional economy.

R.A. Musgrave and P.B. Musgrave (1994:81) in Prawiro stated that the decentralization policy has three functions, namely: Function of allocation, function of distribution, and function of stabilization. Function of allocation is a process in which the national resources are used for private goods and public goods and limit the market failure. Function of distribution is in the scheme of re-distribution of revenues; while the function of stabilization is an instrument of the government macro policy. Allocation of budget oriented to the public interests will be illustrated at the bigger proportion of budget allocation at the service costs able to be enjoyed and felt by community rather than the service interests indirectly enjoyed by the community.

2.3. Theory of Economic Growth

Economic growth is a process of output per capita increase in a long term (Boediono, 1988:1). There are three aspects of emphasis in this definition, namely the process, output per capita, and long term. The first aspect, the economic growth is a "process", it is not an illustration of economy in a certain time. Here, we see a dynamic aspect of an economy, namely seeing how an economy develops or changes from time to time. The second aspect, the economic growth related to the increase of "output per capita". It is quite obvious here that there are two sides need to be put into our attention, namely the output side (Gross Domestic Product) and the side of the total population. Output per capita is a total output divided by the total population. The third aspect, the economic growth is a long term perspective. The increase of output per capita is not an economic growth. An economy grows if it occurs within a sufficiently long period of time (10, 20 or 50 years or more). Thus, a long term perspective occurs if there is a tendency (output per capita to increase) deriving from the internal process of economy, meaning that the process of growth itself creates a power or a "momentum" for the establishment of further growth in the next periods.

Kuznets also in Todaro (1994) explains that the economic growth is the increase of capacity in a long term of a pertinent country to provide various kinds of economic goods for its population. The capacity increase is determined by the progress or adjustment of technology, institution, and ideology to the demand of the existing condition.

Kuznets in Pressman (2000:77) also explains that the economic growth is also related to a combination of effects of high productivity and a big amount of population. The growth of productivity has an important role, because productivity growth will produce improvement at the living standard. The changes and innovation in technology are the means to increase the productivity growth related to re-distribution of manpower from the less productive sector (agriculture) to the more productive sector (manufacturing industry).

According to Todaro (1994), there are three main factors at the economic growth of a country, namely: a) Capital Accumulation. It covers the whole new investments on land, physical instrument, and human resources. Capital accumulation occurs if a part of income is saved and invested with the purpose to enlarge the output and the future income. New factory, machine, equipment, and material increase the "Capital Stock" physically of a country in order to achieve the increase in output. Such productive investment has to be equipped with the investment in infrastructure (social and economy), such as: investment in road, electricity, water, sanitation, communication, education, health and the like, in order to support the integrated economic activities. b). Population growth and the Work force. The growth of population and that of manpower are traditionally deemed as positive factor in stimulating the economic growth. Bigger amount of manpower means increasing the number of productive manpower, whereas bigger increase of the total population will increase the area of domestic market. c). Progress of technology.

Spencer (1975: 285-286) explains that the economic growth is indicated in two ways, namely: Increase in Gross Domestic Product from year to year and Increase in Income per Capita. Economic growth is an increase of community income in a certain country from year to year due to the increase of economic ability to produce the goods and services by full manpower and constant price. Economic growth is determined by quantity and quality of resources and development of technology. So, economic growth is the increase of output measured by the input unit. Considering the fact that economic activity basically is a process in using the production factors to produce the output, then the process will produce a flow of service re-payment to the production factors owned by community.

2.4. Manpower

Manpower is classified into two categories, namely 'Labor Force' and 'Non Labor Force'. The labor force is the manpower or population of the working age, or those who have a job but for the time being are not working, and those who are looking for a job. Whereas the 'non labor force' is the manpower or the population at the working age who are not working, have no job and not in the state of looking for a job (Dumairy, 1996:135). Further, the labor force is also classified into two groups, namely 'the workers' and 'the unemployed'. The workers are the people who have the job, consisting of people who really have the job and are working, and the people who have the job but for the time being accidentally are not working. Whereas the 'unemployed' are the people who have no job, precisely the people who are not working and still looking for a job (Bellante and Jackson, 1990:24).

The concept of 'manpower' is not identical with the 'work force' or 'labor force'. Manpower, according to Tan Goan Tiang in Mantra (2003:224), is the amount of population able to be involved at the economic process. Manpower can mean population at the working age (15-64 years) or the whole total population in a certain country able to produce the goods and services if there is any demand for manpower, and if they are willing to participate in the said activities. Whereas the concept of 'Labor Force' or 'Work Force' is the real part of manpower involved, or try to be involved at the productive activity, namely to produce the goods and services (Kusumosuwidho, 2000:194). According to Mantra (2003:225), the term 'Labor Force' in Indonesia are population at the age of 15 years and above who actively perform the economic activities. The Labor force consist of the working people, those who have a permanent job but temporarily are not working, and those who have no job and are looking for a job. The total labor force who are working are usually considered as the total job opportunities available in a certain region.

3.Research Method

Population used in this study cover the whole 13 (thirteen) regencies / and 1 (one) city available in Central Kalimantan Province, namely the Regencies of Sukamara, Lamandau, West Kotawaringin, Seruyan, Katingan, East Kotawaringin, Gunung Mas, Pulang Pisau, Murung Raya, Kapuas, North Barito, South Barito, East Barito and the City of Palangkaraya.

This study applies the secondary data already been published by BPS (Central Bureau of Statistics), Bank Indonesia, Bappeda (Board of Regional Development and Planning), Disnaker (Autonomous Agency for Manpower Affairs of the Regency / City and also of the Central Kalimantan Province during the time series for 8 (eight) years from 2003 to 2010 for data of Government Expenses / Capital Expenditure, and from the year 2004 to 2011 for the data of Economic Growth, Manpower Absorption, and Community Welfare / IPM. Based on the pooled data obtained from the time series combined data (for 8 years) and cross section (14 regencies / city), the total 112 objects of research are obtained.

Data are processed by applying the software of SPSS (Statistical Package for Social Sciences) of Version 20, using the Path Analysis, namely the parameter gauging or calculation on path coefficient. Output of such calculation constitutes the path coefficient. This study applies the Ordinary Least Square (OLS) Method, namely the smallest square method. In this calculation, a direct influence of path coefficient will be obtained. Examination on model significance and hypothetical testing are then carried out. Coefficient significance testing on each path for the direct influence is performed similarly as that for the regression, using the p-value from the t-test, namely the variable regression coefficient testing is standardized in partial. The path identified by 's' sign means that the influence is meaningful or significant, in which the p-value is less than 0.05. It means that H_0 is rejected and H_a is accepted. If provided with 'ns' sign, it means that the influence is not significant, in which the p-value is bigger that 0.05, therefore H_0 is accepted and H_a is rejected.

Output And Discussion

Calculation on path analysis in this research is performed based on the obtained secondary data, then processed by using the help from a software of SPSS (Statistical Package for Social Science) of Window Version 20.00 with the Path Analysis instrument through the menu of Linear Regression. The path coefficients in this research constitute hypotheses, presented in three equations as follows:

(1) Structural Equation for $Y_{t1} = 0.334\ X_{(t-1).}$

(2) Structural Equation for $Y_{t2} = 0.021\ X_{(t-1)} + 0.339\ Y_{t1}$.

Output Of Path Analysis Testing

Free Variable	Bound Variable	Path Coefficient	t-Progression	Probability	Remarks
Capital Expenditure (X_{t-1})	Economic Growth (Y_{t1})	0.334	3.716	0.000	Significant
Capital Expenditure (X_{t-1})	Manpower Absorption (Y_{t2})	0.021	0.220	0.826	Non Significant

Source: *The Processed Data by SPSS, the year 2013.*

The output of Path Analysis Testing indicates as follows: (1) The Government expenses allocated for capital expenditure (X_{t-1}) has a significant influence to the economic growth (Y_{t1}) of the Regencies / City in Central Kalimantan Province. This Hypothesis is accepted. The obtained path coefficient with positive sign is 0.334 and its significant probability score is 0.000 smaller than the significance value determined at the value of (α) 0.05 or 0.000<0.05. Thus, a significant testing output is obtained. This indicates that the government expenses for capital expenditure allocation (X_{t-1}) is able to stimulate the economic growth (Y_{t1}) at the regencies / cities in Central Kalimantan Province.

(2) The government expenses allocated for capital expenditure (X_{t-1}) has a significant influence to the manpower absorption (Y_{t2}) of the Regencies / Cities in Central Kalimantan Province. This Hypothesis is rejected. The obtained path coefficient has positive sign at the sum of 0.021 and the probability with the value of significance of 0.826 bigger than the level of significance determined at the value of (α) 0.05 or 0.826> 0.05. In this way, the testing output is found to be non-significant. This indicates that the government expenses allocated for capital expenditure (X_{t-1}) fail to stimulate the manpower absorption (X_{t-1}) at the Regencies / Cities in Central Kalimantan Provinces.

According to Jhingan (2000), in the scheme of increasing the investment flow, the government shall first determine the well-planned investment policy. This action will bring effect to the increase in volume of investment at the private sectors. In order to motivate the optimum investment socially, the fiscal policy has to stimulate the investment flow to the paths needed by the community. Such investment as the one at the sectors of transportation, communication, energy development, river and land conservation are used for the economic overhead. Then, investments at the sectors of education, community health and facilities for technical training are intended for the social overhead. Both categories of investment carried out by the government will produce the external economy. It means that it will tend to expand the market, increasing productivity and reducing the production cost.

A study relevant to this finding is the empirical study by Mursinto (2004) in East Java. Output of this study concludes that the development expenses have positive and significant to Gross Regional Domestic Product of the Regencies / cities in East Java Province. From this study, it is found lout that the bigger amount regional government expenses will stimulate the economic growth. Other theory supporting this study is given by Rostow and Musgrave (Mangkoesoebroto, 2012) describing the model of development on government expense development. This model connects the government expense development to the stages of economic development distinguished into the initial stage, middle stage and advance stage of development. At the initial stage of economic development, the percentage of government investment to the total investment is very big, because in this stage the government had to prepare the infrastructure, such as for education, health, and for transportation.

The other finding also supporting this study is the study conducted by Barro (1990), stating that the productive expenses in the form of government investment has direct influence with positive impacts to the economic growth. The finding of Barro is also supported by output of study by Bappenas (Board of National Development and Planning) (Bappenas, 2011) using the econometric model resulting the finding in fiscal policy applied by government through the increase of the capital expenditure giving the impact to the improvement of performance in macro economy, either at the national or regional level, so that the economic growth occurs.

Output of study not supporting this research is a study by Zhang and Zao (1998) stating that, first, the variable of the ratio of the total expenses of APBD (Regional Revenue and Expenditure Budget) to the total expenses of APBN (National Revenue and Expenditure Budget) have negative influence to regional economic growth, so that it indicates that it causes the fiscal decentralization in China. Second, the relative position of regional development expenses to total national expenses have negative influence to the regional economic growth, indicating that the regional government is not in a good position to perform investment in public sector. The other study not supporting output of this study is a study conducted by Oreggio and Andreas R. Pose (2004), stating that the public investment has no significant influence to the economic growth. This is due to the fact that the public investment in Mexico tends to concentrate at the regions relatively well-established and efficiency has not yet become the main focus in public investment allocation.

The estimated outputs on the influences of government expenses to the manpower absorption at regencies / cities in Central Kalimantan Province indicate that the government expenses allocated for capital expenditure have no significant influence to the manpower absorption. The path coefficient on the estimated output has a positive sign at the sum of 0.021 with the significant probability (p-value) of 0.826 > (bigger than) the significance level of (α) determined at the value of 0.05. This means that the Second Hypothesis stating "The government expenses have significant influence to the manpower absorption" is hereby declared non-significant.

The increase of capital expenditure although has already been able to establish the job opportunities indicated by positive path coefficient (0.021), but it is not significant. In general, this can occur because the government expenses allocated for capital expenditure are difficult to be carried out by private, and it uses the capital intensive technology. Development at the Central Kalimantan Province with sufficiently large area and lots of new-established regencies as the result of regional expansion, and pursuant to the policy of regional government administration to open the isolation between regions by developing the infrastructure, particularly the construction of roads and bridges which, at the average, are using the capital intensive and not using the labor intensive, so that this matter becomes one of the reasons that causes the non-significance of government expenses allocated for capital expenditure to the manpower absorption. The increase of government expenses allocated for capital expenditures at the new-established regencies to the absorption of their manpower is different from the regions more advanced in their economy, because the new-established regencies focus more on development of their infrastructure requiring less numbers of manpower, such as development of hospitals, school buildings, office buildings, roads, bridges and other supporting facilities for public services.

This finding is in conformity with the theory of Rostow and Musgrave in Mangkoesoebroto (2001) on development of government expenses. At the initial stage, the government has to prepare the infrastructure, for example for education, health, transportation and the like. The development of government expenses at this initial focuses more on development of infrastructure requiring less number of manpower. The finding of this study is also in line with output of the study performed by Elina Situmorang (2007) in West Papua Province, stating that the very fast growth of government investment is not followed by the fast growth of manpower absorption. Government investment grows very fast, but manpower absorption becomes more fluctuatkive. The gap between the investment growth and the manpower absorption is getting bigger. It is caused, among others, by the fact that the government investment is more directed to replace the broken part of the capital provision. This means that the investment conducted by the regional government at the regencies / cities in West Papua Province are more directed for maintenance / repair of the existing capital goods and not for expanding the business. The lack in business expansion automatically causes no increase in the fields of work significantly. The finding in the study is also in line with the output of study conducted by Sukma indra (2012) at the regencies / cities in West Kalimantan Province stating that the government investment in the form of capital expenditure has no significant influence to the manpower absorption. In general, this occurs because capital expenditure is used for the provision of infrastructure in education, such as for laboratory equipment, library, transportation facilities and transporting equipment. Output of study not supporting this research is a study by Wurarah (2011) stating that there is a significant influence of capital expenditure to the manpower absorption in West Papua Province. Small amount of capital expenditure absorb a lot of manpower (labor intensive) for the public investment, such as opening the inter-region isolation through the development of roads and bridges. Finding of this study does not support the opinion of Sachs (2005) declaring that the public budget will appreciate the capital per ;person so that each person will get the benefit from the said public goods. This opinion is supported by Halim (2008) stating that investment in public sector has a strong potential to stimulate the manpower absorption. It means that the investment is able to establish a return with a focus on investment in upstream and downstream businesses within the local economic structure, and investment to dig up the new economic sources by developing new zones able to absorb bigger amount of manpower.

4.Conclusion

The government expense projected by capital expenditure has significant influence to the regional economic growth. The increase in allocation of government expenses for capital expenditure will stimulate the increase in regional economic growth at regencies / cities in Central Kalimantan Province. The implementation of development activities for infrastructures, facilities as well as various facilities for regional public services funded from allocation of capital expenditure at the APBD (Regional Revenue and Expenditure Budget) of each regency / city in Central Kalimantan Province is successful in increasing production capacity.

The government expenses have no significant influence to manpower absorption. The increase of government expenses allocated for capital expenditure does not give any significant impact for the increase of manpower absorption at regencies / cities in Central Kalimantan Province. The government expenses projected at the allocation of capital expenditure, particularly intended for the development of regional infrastructure are not proven able to absorb the manpower, especially the implementation of physical development, such as for the construction of roads, bridges, irrigation and its network, expenditure for development of buildings and structures and also the expenses for other physical development. The government expenses allocated for capital expenditure for such kind of physical development have not yet maximally absorbed the manpower directly, because they are capital intensive. The positive value of path coefficient indicates that the increase of government expenses for capital expenditure allocation will have a connection of the same direction, meaning that if there is any increase in government expenses allocated for capital expenditure, the manpower absorption will also undergo the increase. This also indicates that allocation of government expenses for capital expenditure will support the regional economy, especially in supporting the activities of regional economy, moreover at the regencies undergoing the regional expansion from their principal regencies.

Suggestions related to the framework of implementation regional development at the regencies / cities in Central Kalimantan Province are as follows: The firmness is required in planning the regional development having the connection (implication) with the allocation structure of capital expenditure in APBD (Regional Revenue and Expenditure Planning) pursuant to the goals and targets of each development program already been determined. Orientation of economic growth and manpower absorption should actually be formulated at the development planning, and agreed to be a reference for the whole stakeholders at the actual implementation of regional development in order to achieve a high degree of community welfare at the regencies / cities in Central Kalimantan Province.

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