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Analysis of the Effect of International Trade on State Expenditure

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ABSTRACT

This research aims to figure out how international trade influence the government expenditure. The independent variables of this research are export and import. The dependent variable of this research is government expenditure. The method of this research is OLS. This research use datas from World Bank and BPS. The object of this research is the economic condition of Indonesia. The result of this research are as follows : Export significantly influence the government expenditures. Import doesn't significantly influence government expenditures. Export and import simultantly influence the government expenditures.

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INTRODUCTION

In the economy, state expenditure is one of the important components in economic growth. State expenditures include employee salaries, government project expenditures and so on. Government spending provides a stimulus for the economy to grow. The problem that is often faced by developing countries is that state expenditure is greater than state income for several reasons. If this problem continues, it can hamper the rate of economic growth.

International trade on the other hand, can also influence the government in determining its spending policy. The government can receive sources of revenue in terms of import and exit duties, loading and unloading costs and the like. This can give more encouragement for the government in determining its state spending policy. Governments on the other hand can provide policies that affect international trade. Starting from export or import incentives for certain commodities and other policies. International trade greatly affects a country's economic growth. If a country exports more than imports, the country's national income will increase so that it will have a positive effect on economic growth. The benefits of international trade can be in the form of an increase in state income, foreign exchange reserves, capital transactions and increased employment opportunities (Yuni, 2021).

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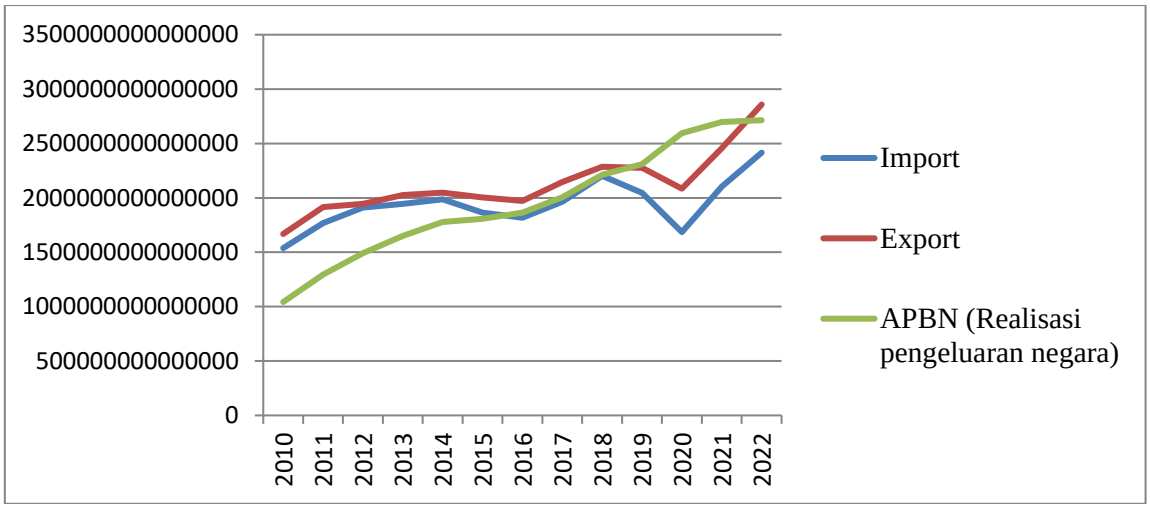

Based on the chart above, imports, exports and expenditure countries have slightly identical growth dynamics where when one variable increases, it will be followed by an increase in other variables and vice versa. This is especially true of export and import variables. This is one of the things that attracts the author to be investigated further.

With the economy successfully controlling its export and import policies, the country will receive a positive long-term impact. Such as opening new jobs, strengthening the economic structure and in the end the economy will develop to a new level. But if the opposite applies, there will be many negative effects that will be borne by the economy such as high dependence on imports, declining competitiveness of domestic businesses in the international arena and negative consumerism.

Theoretically, if imports increase then the government will tend to reduce its state spending due to reduced leverage for it. Because with the increase in imports, the currency exchange rate will weaken so that government debt will be more and more. Whereas if exports increase, then the government will tend to increase its state spending because they have enough leverage for it. Because with the increase in exports, the currency exchange rate will strengthen and government debt will decrease.

METHOD

This research aims to determine the influence of international trade on state expenditure. This research uses quantitative research. The type of variable data is secondary data, namely data obtained from reports published on the official Indonesian government website.

This data uses a multiple linear regression model which is supported by quantitative analysis using an econometric model to get a clear picture of the relationship between the variables used. The author uses SPSS version 25.

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RESULTS AND DISCUSSSION

Correlations

		BUDGET	Import	Export
Pearson Correlation	BUDGET	1.000	.649	.849
	Import	.649	1.000	.904
	Export	.849	.904	1.000
Sig. (1-tailed)	BUDGET	.	.008	.000
	Import	.008	.	.000
	Export	.000	.000	.
N	BUDGET	13	13	13
	Import	13	13	13
	Export	13	13	13

The results of pearson correlation show that imports and exports have a fairly strong level of closeness. However, the value of the import variable sig is not too significant while the value of the export sig is significant.

Model Summary[b]

Type	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.893 a	.798	.758	2.60964E14	.798	19.747	2	10	.000	.889

a. Predictors: (Constant), Export, Import

b. Dependent Variable: State Budget

Based on the table above, it can be seen that the R Square value is 0.798. This means that export and import variables are able to explain the state budget by 79.8% while 20.2% is explained by other variables outside the study.

ANOVAb

Type		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	2.690E30	2	1.345E30	19.747	.000a
	Residuals	6.810E29	10	6.810E28		
	Total	3.371E30	12			

a. Predictors: (Constant), Export, Import

b. Dependent Variable: State Budget

The sig and F values in the table show numbers of 0.00 and 19.747. The calculated F value of 19.747 is greater than the F of the table so that it can be interpreted that export and import variables simultaneously affect the state budget.

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Coefficientsa

Type		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
1	(Constant)	-5.963E14	6.573E14		-.907	.386					
	Import	-1.521	.779	-.649	-1.952	.080	.649	-.525	-.277	.183	5.479
	Export	2.587	.599	1.436	4.317	.002	.849	.807	.614	.183	5.479

a. Dependent Variable: APBN

The regression equation based on the table above is as follows:

Y = -5.963 – 1.521 + 2.587 + e

The interpretation of this equation is as follows:

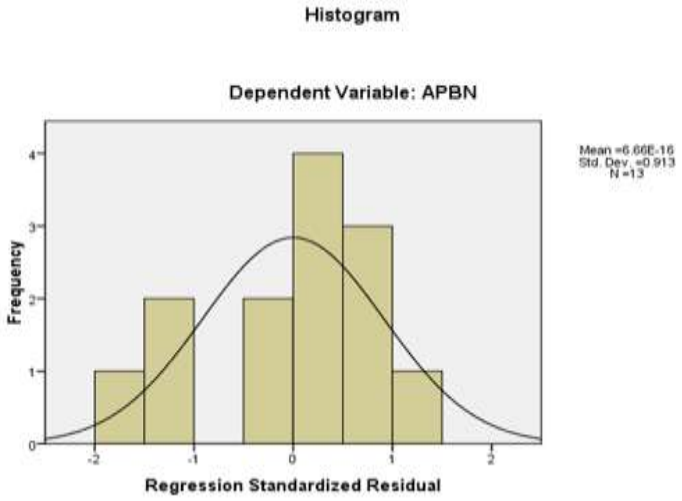
1. If all independent variables are considered constant, the value of the state budget is -5.963.
2. If imports are increased by 1 unit, the state budget will decrease by 1,521 units.
3. If exports are increased by 1 unit, the state budget will increase by 2,587 units.

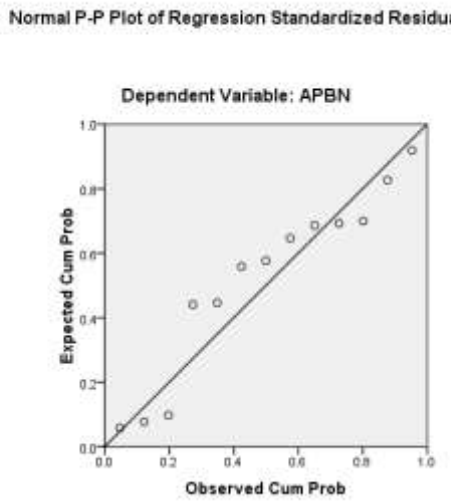
For the results of the T test, here's the interpretation:

1. The T value of the import count is -1.952 with a value of 0.080. The value of T counts<2.201 T table. And the value of sig>0.05 which means that imports are not significant to the state budget.
2. The export calculated T value is 4.317 with a sig value of 0.002. The value of T counts>2.201 T table. And the value of sig<0.05 which means that exports significantly affect the state budget.

1.Classical Assumption Test

a. Normality Test





The histogram image above shows that convexity is in a balanced position. In addition, based on the chart, the P-P Plot shows that the points are scattered around the line. So it can be concluded that the data is distributed normally.

b.Multicollinearity Test

Coefficientsa

Type		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Correlations			Collinearity Statistics	
		B	Std. Error	Beta			Zero-order	Partial	Part	Tolerance	VIF
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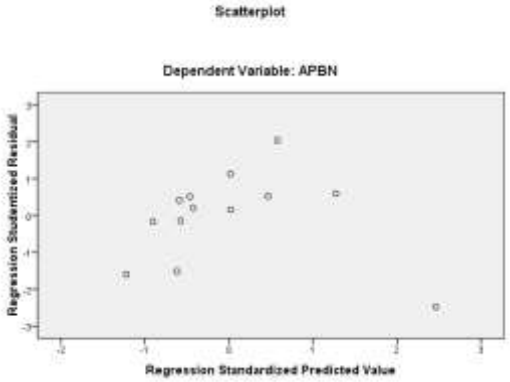
	Export	2.587	.599	1.436	4.317	.002	.849	.807	.614	.183	5.479

a. Dependent Variable: APBN

In the Collinearity Statistics table shows Tolerance and VIF values of 0.183 and 5.479 for imports and 1.83 and 5.479 for exports. This shows that the two variables do not experience multicollinearity.

c.Heterokedasticity Test



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The graph above shows that the dots are scattered a lot and do not form a certain pattern. And also the dots are scattered around the zero point. This shows that the variables do not experience heterokedasticity or are homokedasticity.

CONCLUSION

Based on the results of the above research, several conclusions can be drawn, namely:

1. Exports affect government spending significantly.
2. Imports do not significantly affect government spending.
3. Exports and Imports simultaneously affect government spending.

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