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## The Influence Of Household Consumption Expenditures On Economic Growth With Investment As A Moderating Variable

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### Abstrak

Peneliti meyakini pengeluaran konsumsi rumah tangga dapat mempengaruhi pertumbuhan ekonomi dan variabel investasi dapat memperkuat pengaruh konsumsi rumah tangga terhadap pertumbuhan ekonomi. Peneliti meyakini hal ini berdasarkan sejumlah penelitian sebelumnya dan teori konsumsi keyness yang berdampak baik terhadap pertumbuhan ekonomi, serta investasi yang mampu memperlancar roda perputaran. Oleh karena itu, penelitian ini bertujuan untuk menganalisis pengaruh pengeluaran konsumsi rumah tangga terhadap pembangunan ekonomi dengan investasi sebagai variabel moderasi. Penelitian ini merupakan penelitian kuantitatif dengan pendekatan eksploratif yang menjadikan penelitian sebagai batu loncatan untuk menciptakan unsur kebaruan dalam penelitian ini. Data yang digunakan dalam penelitian ini merupakan data sekunder yang peneliti peroleh dari laporan tahunan badan pusat statistik masing-masing provinsi pada tahun 2018-2023. Peneliti menganalisis data tersebut menggunakan alat analisis smart PLS 4.0. Hasil dalam penelitian ini menunjukkan variabel Pengeluaran dan Konsumsi Rumah Tangga dapat mempunyai hubungan positif dan pengaruh signifikan terhadap Pertumbuhan Ekonomi karena P-Valuesnya positif dan berada di bawah tingkat signifikansi 0,05 yaitu 0,011. Pasalnya, konsumsi rumah tangga yang semakin tinggi dapat membuat roda perekonomian berputar antara produsen, distributor, dan konsumen yang pada akhirnya dapat menyebabkan pertumbuhan ekonomi meningkat. Selanjutnya hipotesis kedua dapat dilihat dari baris kedua tabel ketiga yang menunjukkan hasil serupa karena P-Values bernilai positif dan berada di bawah taraf signifikansi 0,05 yaitu 0,000 lebih signifikan dari uji langsung sebesar 0,011. Sebab, apabila investasi dalam dan luar negeri baik maka akan tercipta harga yang stabil yang selanjutnya dapat memperlancar pendapatan dan pengeluaran konsumsi rumah tangga

yang pada akhirnya berdampak pada pertumbuhan ekonomi.

Kata Kunci: *Pengeluaran Konsumsi Rumah Tangga, Pertumbuhan Ekonomi, Investasi*

#### Abstract

Researchers believe that household consumption expenditure can influence economic growth and investment variables can strengthen the influence of household consumption on economic growth. Researchers believe this is based on a number of previous studies and keyness consumption theory which has a good impact on economic growth, as well as investment which can make the wheel of rotation smoother. Therefore, this research aims to analyze the influence of household consumption expenditure on economic development with investment as a moderating variable. This research is quantitative research with an exploratory approach which makes research as a stepping stone to create an element of novelty in this research. The data used in this research is secondary data that researchers obtained from the annual reports of the central statistics agency for each province from 2018-2023. Researchers analyzed these data using the smart PLS 4.0 analysis tool. The result in this research show the variable Household Expenditure and Consumption can have a positive relationship and a significant influence on Economic Growth because the P-Values are positive and are below the 0.05 significance level, namely 0.011. This is because higher household consumption can make the wheels of the economy turn among producers, distributors and consumers, which in the end can cause economic growth to increase. Furthermore, the second hypothesis can be seen from the second row of the third table which shows similar results because the P-Values are positive and are below the significance level of 0.05, namely 0.000, which is more significant than the direct test of 0.011. This is because if domestic and foreign investment is good it will create stable prices which can further facilitate household income and consumption expenditure which ultimately has an impact on economic growth.

Keyword: *Household Consumption Expenditures, Economic Growth, Investment*

#### INTRODUCTION

Economic growth can most simply be interpreted as an increase in output or an increase in aggregate national income within a certain period of time, for example one year. A country's economy is said to be experiencing growth if the real returns to the use of production factors in a particular year are greater than in previous years. Thus, the definition of economic growth can be interpreted as an increase in the physical production capacity of goods and services within a certain period of time (Nenotek et al., 2021). Economic growth is the process of increasing output per capita in the long term, where the emphasis is on three things, namely process, output per capita and the long term. Economic growth is a process, not a picture of the economy at one time. Here we look at the dynamic aspect of an economy, namely looking at how an economy develops or changes over time.

Economic growth is also related to an increase in per capita output. In this sense, there are two sides that need to be considered, namely total output and population, because only if these two aspects are explained can the development of per capita output be explained. Then the third aspect is economic growth from a long-term time perspective, namely if over a long period of time per capita output shows a clear tendency to increase (N. F. K. Arifin, 2019). Based on the two definitions of economic growth above, it can be concluded that economic growth can occur if a country or region is able to provide economic goods for its population, as a result of the use of production factors that are used in the long term and will ultimately be followed by an increase in per capita income (Tiffani, 2023).

There are several things that can influence the economic growth of a country, including household consumption expenditure. Household Expenditures are all household expenditures of families and individuals as well as non-company private institutions to purchase goods and services that can be directly used to meet needs. Household expenditure is an indicator of individual and social welfare. The level of household expenditure shows the level of development of the economic system as a whole. Many factors influence the amount of household consumption expenditure. These factors can be classified into economic factors, demographic factors, and non-economic factors. Economic factors that influence household consumption levels are household income, household wealth, the number of durable consumer goods in society, interest rates, predictions about the future, and government policies in reducing inequality in income distribution (Alhudhori & Amali, 2020).

Demographic factors that influence consumption levels are population size and population composition. Meanwhile, the non-economic factors that have the most influence on consumption levels are social and cultural factors in society such as eating habits, changes in ethics and values to imitate other groups of society (Sukandar, 2014a). Household consumption often receives special attention due to the following reasons: Household consumption is the largest contributor to national income. In other parts of the world, consumption expenditure contributes half of national income. Both consumption has an important impact in influencing the ups and downs of the economy from year to year. In the long term, consumption and savings will influence economic growth (Sukirno, 2000).

Keynesian consumption theory, the level of household consumption in a period is determined by disposable income, the higher the disposable income, the greater the level of consumption that will be carried out by the household. Furthermore, in Keynes's theory there is also a consumption limit, that is, even if a person or family has no income, they still make purchases for consumption because they need to eat, buy clothes and rent a house.

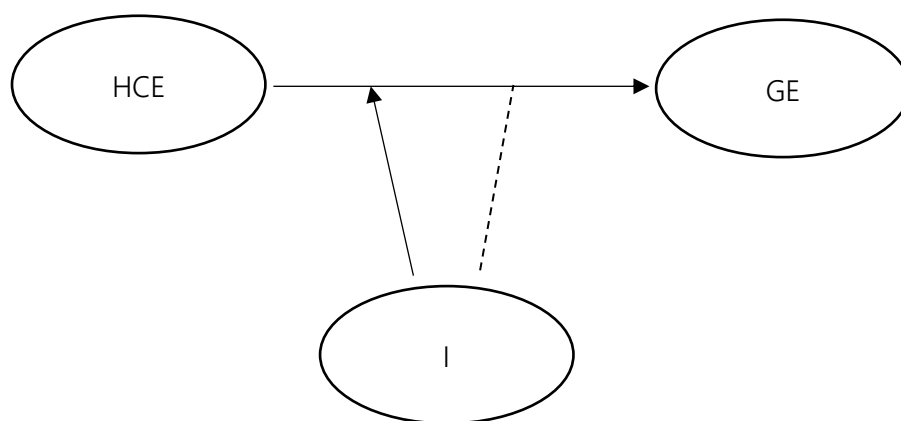
Consumption spending like this is referred to as autonomous consumption which is not influenced by other factors or income is equal to zero. (Sukandar, 2014b) This consumption function shows the three assumptions stated by Keynes. This consumption function satisfies Keynes' first conjecture because the marginal propensity to consume  $c$  is between zero and one so that higher income leads to higher consumption.

This consumption function satisfies Keynes' second conjecture because (average propensity to consume)  $APC$  is  $= \frac{C}{Y}$ . When  $Y$  increases, the average propensity to consume will decrease. And this consumption function fulfills Keynes' third reason because the interest rate is not included in this equation as a determinant of consumption. As an additional explanation, there are several notes regarding Keynes's consumption function (Arizka et al., 2018), namely: a. Represents absolute income. b. This is income that occurs, not income obtained previously and not income that is estimated to occur in the future. c. It is a real variable, namely that the Keynesian consumption function shows the relationship between income and consumption expenditure, both of which are expressed using a constant price level, not the relationship between nominal income and nominal consumption expenditure (Rozalinda, 2016).

In line with this, there are a number of studies (Husin, 2022); (Rafiq, 2016); (Afifah et al., 2019) & (Yusri, 2020). Different from a number of previous studies, this research adds the Investment variable as a moderating variable.

#### RESEARCH METOHDS:

Figure 1  
Model



Noted:

HCE : Household Consumption Expenditures

GE: Growth Ecconomy

## I: Investment

Based on the picture above, it can be concluded that researchers believe that household consumption expenditure can influence economic growth and investment variables can strengthen the influence of household consumption on economic growth. Researchers believe this is based on a number of previous studies and Keynes consumption theory which has a good impact on economic growth, as well as investment which can make the wheel of rotation smoother. Therefore, this research aims to analyze the influence of household consumption expenditure on economic development with investment as a moderating variable (Jonathan Sarwono, 2016). This research is quantitative research with an exploratory approach which makes research (Husin, 2022); (Rafiq, 2016); (Afifah et al., 2019) & (Yusri, 2020) as a stepping stone to create an element of novelty in this research (Sugiyono, 2019). The data used in this research is secondary data that researchers obtained from the annual reports of the central statistics agency for each province from 2018-2023 (S. R. Arifin & Fadlan, 2021). Researchers analyzed these data using the smart PLS 4.0 analysis tool with the following hypothesis

Hypothesis:

H1: Household Consumption Expenditure Variables can influence Economic Growth

H2: The Investment variable can strengthen the influence of the Household Consumption Expenditure variable on Economic Growth

## RESULT AND DISCUSSION

### Validity Test

Even though in this study the data used is secondary data, the researcher still believes that even secondary data, regardless of the source, must first go through pre-requisite validity tests with a minimum standard loading factor value of 0.70 with the following results. (Gujarati, 2013):

Table 1  
Validity Test

Validity	Loading Factor	Noted
Household Consumption Expenditures	0.878	Valid
Growth Economy	0.912	Valid
Investment	0.931	Valid

Valid > 0.70

## Reliability Test

In contrast to the use of primary data at the validity test stage which validates each question item, the use of secondary data directly validates the characteristics of the data on each variable, especially those related to household consumption expenditure, economic growth and investment from 2018-2023. After ensuring that this is valid, the next stage is a reliability check with the following results (Sarstedt et al., 2014):

Table 2  
Reliability Test

Variable	Composite Reliability	Cronbach Alfa	Noted
Household Consumption Expenditures	0.892	0.852	Reliable
Growth Economy	0.942	0.901	Acceptable
Investment	0.987	0.946	Acceptable

Reliable > 0.70

## Path Coefisien

Just like quantitative research, whether using primary data or secondary data, the ultimate goal is to prove the hypothesis being offered. In this research, the hypothesis offered is that the influence of the Household Consumption Expenditure variable on Economic Growth and the Investment variable can moderate the influence of the Household Consumption Expenditure variable on Economic Growth with the following results (Ghozali, 2016):

Table 3  
Path Coefisien

	Variable	P-Values	Noted
Direct Influence	HCE-> EG	0.011	Accepted
Indirect Influence	I* HCE-> EG	0.000	Accepted

Signifianct Level < 0.05

The results from the third table of Path Coefficients are also a hypothesis that researchers must prove, namely the influence of the Household Consumption Expenditure variable on Economic Growth and the Investment variable can moderate the influence of the Household Consumption Expenditure variable on Economic Growth. The results have

been found. In the first hypothesis, it can be seen from the first row of the third table that the path coefficient shows that the variable Household Expenditure and Consumption can have a positive relationship and a significant influence on Economic Growth because the P-Values are positive and are below the 0.05 significance level, namely 0.011. This is because higher household consumption can make the wheels of the economy turn among producers, distributors and consumers, which in the end can cause economic growth to increase. These results are also in line with research (Husin, 2022); (Rafiq, 2016); (Afiftah et al., 2019) & (Yusri, 2020). Furthermore, the second hypothesis can be seen from the second row of the third table which shows similar results because the P-Values are positive and are below the significance level of 0.05, namely 0.000, which is more significant than the direct test of 0.011. This is because if domestic and foreign investment is good it will create stable prices which can further facilitate household income and consumption expenditure which ultimately has an impact on economic growth.

### CONCLUSION

The results from the third table of Path Coefficients are also a hypothesis that researchers must prove, namely the influence of the Household Consumption Expenditure variable on Economic Growth and the Investment variable can moderate the influence of the Household Consumption Expenditure variable on Economic Growth. The results have been found. In the first hypothesis, it can be seen from the first row of the third table that the path coefficient shows that the variable Household Expenditure and Consumption can have a positive relationship and a significant influence on Economic Growth because the P-Values are positive and are below the 0.05 significance level, namely 0.011. This is because higher household consumption can make the wheels of the economy turn among producers, distributors and consumers, which in the end can cause economic growth to increase. These results are also in line with research (Husin, 2022); (Rafiq, 2016); (Afiftah et al., 2019) & (Yusri, 2020). Furthermore, the second hypothesis can be seen from the second row of the third table which shows similar results because the P-Values are positive and are below the significance level of 0.05, namely 0.000, which is more significant than the direct test of 0.011. This is because if domestic and foreign investment is good it will create stable prices which can further facilitate household income and consumption expenditure which ultimately has an impact on economic growth.

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