

The Effect of Consumption, Investment, and Government Expenditure on the Economic Growth of West Java Province

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Abstract

The trajectory of economic expansion in West Java is contingent upon three cardinal determinants: household consumption, capital investment, and fiscal expenditure. Consumption propels aggregate demand for commodities and services, investment augments productive capacity, while governmental disbursement, particularly directed toward infrastructural advancement and social initiatives, engenders employment prospects and elevates communal welfare. This paper seeks to scrutinize the ramifications of consumption, investment, and fiscal spending on the economic progression of West Java Province throughout the 2020–2024 interval. The investigation employs a Secondary Data Analysis (SDA) paradigm underpinned by a quantitative orientation. The empirical sample encompasses 27 regencies/municipalities within West Java Province, delineated through a saturated sampling modality. The collated data were subjected to panel data econometric techniques utilizing the EViews 12 platform. Findings shed light that consumption, investment, and governmental expenditure exert discernible influences upon economic growth, albeit with heterogeneous magnitudes across territorial units. In conclusion, these three variables manifest statistically significant bearings on West Java's economic development, though the intensity of their effects diverges among regions.

Keywords: Consumption, Economic Growth, Government Spending, Investment, West Java.

1. Introduction

Economic expansion constitutes a pivotal catalyst for advancement and societal affluence, commonly gauged through the escalation of aggregate output encompassing goods and services within an economy (Amin, 2024). Significant economic growth is generally followed by income distribution in society, which ultimately contributes to welfare (Kurniasih, 2017). Therefore, measuring economic growth is vital to show the extent to which a region is able to increase the income and welfare of its citizens (Awad, 2024; Tampubolon, 2025).

Consumption, capital formation, and fiscal expenditure constitute critical levers in propelling economic expansion within West Java Province. Societal consumption stimulates an escalation in aggregate demand, thereby compelling producers to augment their output capacity (Septiani, 2025). Moreover, capital infusion assumes a pivotal function in expediting economic expansion, especially within emerging economies, by fostering heightened levels of investment and savings in alignment with the postulates of the Harrod–Domar paradigm (Perdana, 2023). Government spending also plays a significant role, whereby spending



policies for infrastructure development and social programmes can accelerate economic recovery and improve public welfare (Anwar, 2024).

The economic growth of West Java Province in 2024 was recorded at 4.95%, slightly slower compared to the previous year which reached 5.00%. Although there was a significant increase in government consumption expenditure of 41.08% in quarter IV-2024, economic growth that is not commensurate with the rate of investment and household consumption indicates an imbalance in the main economic drivers. This raises questions regarding the effectiveness of fiscal and investment policies in driving sustainable economic growth.

Although a number of studies have examined the effect of consumption, investment, and government expenditure on economic growth, studies that specifically test the interaction of these three variables at the provincial level, particularly West Java, are still limited. Research by Firdaus & Suseno (2025) and Jubir et al. (2023) highlights the importance of government expenditure and investment in economic growth, but does not explicitly link these findings to the West Java context. In addition, a study by Endaryono & Djuhartono (2024) shows that the effect of investment on GRDP is influenced by external factors such as FDI and DDI, but does not discuss in depth the contribution of household consumption and government expenditure.

Identification of research gaps becomes crucial because it helps researchers find areas that have not been widely studied, so that research can make a contribution (Oktaviani et al., 2024). The importance of filling this research gap is also affirmed in methodological literature which states that research gaps can be in the form of theoretical deficiencies, lack of empirical evidence, or differences in research contexts. In addition, a strategy for discovering research gaps through comprehensive literature review is very necessary so that research has a clear direction and is relevant to academic and policy needs. Therefore, this research seeks to answer that void by integrating consumption, investment, and government expenditure in one analytical model to assess their contribution to West Java's economic growth.

2. Literature Review

2.1. The Theory of Economic Growth Variables/GRDP

Various theories of economic growth provide different perspectives on the factors that drive economic progress. Neoclassical theory considers technology to be the main factor in long-term growth, although capital and labour continue to make significant contributions (Liana et al., 2024). Meanwhile, the Harrod-Domar theory emphasises the importance of a balance between investment and savings levels to maintain economic stability (Wibowo, 2023). Schumpeter's theory, on the other hand, highlights innovation and entrepreneurship as the main drivers of growth through a process of creative destruction, which, although it can cause disruption, still drives progress (Wasiaturrahma, 2025). The Economic Dualism Theory describes how the transition from the agricultural sector to the industrial sector can increase growth, although it has the potential to cause inequality between rural and urban areas (Yudawisastra, 2024). Finally, Endogenous Growth Theory emphasises the importance of internal factors such as the quality of human resources, knowledge, technology, and institutions in ensuring sustainable growth (Isniyati, 2023). Overall, economic growth is influenced by external factors such as investment and economic structure, but internal factors such as innovation and institutions also play an important role in creating sustainable growth.

2.2. Consumption Variable Theory

Classical Consumption Theory argues that consumers make rational decisions to maximise utility, taking into account budget constraints, and that purchasing decisions are

influenced by marginal utility (Yossinomita, 2024). The Relative Income Consumption Theory suggests that consumption is influenced by previous income and comparisons with other people's income (Amir, 2021). The Permanent Income Theory developed by Milton Friedman distinguishes between stable permanent income and temporary income, with consumption being more influenced by permanent income (Zakaria, 2024). Keynesian consumption theory suggests that consumption is influenced by disposable income, and there is a minimum level of consumption that must be met even if income reaches zero (Hardiansyah, 2022).

2.3. Investment Variable Theory

Various economic theories explain the influence of factors on investment decisions (Abdul Kareem et al., 2023; Sen, 2020). Classical economic theory explains that there is a negative relationship between investment and interest rates; high interest rates reduce the incentive to invest, while low interest rates encourage more investment (Kusumah, 2025). Keynes argued that aggregate expenditure, particularly investment, plays an important role in influencing economic activity and employment levels, and emphasised that savings are influenced more by income than by interest rates (Kusumah, 2025). The Modern Monopolistic Advantage Theory proposed by Stephen Hymer states that foreign direct investment generally occurs in monopolistic industries that have competitive advantages, such as economies of scale and more advanced technology (Novirsari, 2025). Caves' Theory of Product and Factor Market Imperfection suggests that foreign companies utilise their superior knowledge to produce more differentiated products, creating markets that are not entirely perfect (Manap, 2024). Tobin's Q theory explains that investment decisions are influenced by the Q ratio; if the Q ratio is greater than 1, companies will tend to invest, whereas if the Q ratio is below 1, investment will decline (Septiani, 2025).

2.4. The Theory of Government Expenditure Variables

Various theories have put forward views on government spending. Adolf Wagner stated that government spending and activities tend to increase in line with economic growth and rising per capita income (Abu-Eideh, 2015; Muhammad & Ibrahim, 2023). Peacock and Wiseman, in their Theory of Government Expenditure, explain that governments seek to increase spending by relying on tax revenues (Ritonga, 2021). Government expenditure reflects government policy in purchasing goods and services (Sriningsih et al., 2023). Monetarism, introduced by Milton Friedman, emphasises the importance of government spending on the amount of money circulating in the economy. Neo-Keynesian theory, developed by Paul Samuelson, combines Keynesian theory with neoclassical economics, emphasising the important role of government in overcoming market failures (Institute, 2022). Based on the above literature review, the following hypothesis can be formulated:

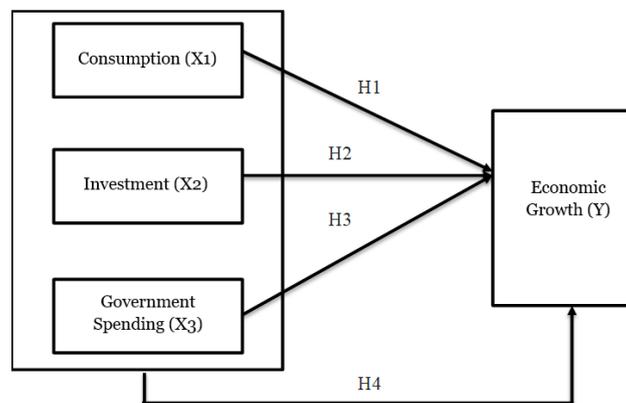


Figure 1. Conceptual Framework

Looking at the Conceptual Framework presented in Figure 1, we can propose the following hypotheses:

H1: Consumption is thought to influence economic growth.

H2: Investment is thought to influence economic growth.

H3: Government spending is thought to influence economic growth.

H4: Consumption, Investment and Government Expenditure are believed to jointly affect Economic Growth

3. Methods

3.1. Research Design

This research uses a Secondary Data Analysis (SDA) framework with a quantitative orientation. The quantitative approach was chosen because this research focuses on testing relationships between variables through measurable and objective statistical analysis techniques (Creswell & Creswell, 2018). The research design involves one dependent variable, namely Economic Growth, and three independent variables, namely Consumption, Investment, and Government Expenditure.

3.2. Variable Operationalization

Variable operationalization in this research consists of one dependent variable and three independent variables. The dependent variable (Y) is Economic Growth, which is measured using Gross Regional Domestic Product (GRDP) at constant prices in West Java Province. Meanwhile, the independent variables (X) include: Consumption (X₁) which is measured based on per capita consumption of the population, Investment (X₂) which is calculated based on the amount of government and private investment realization, and Government Expenditure (X₃) which includes routine expenditure and development expenditure of local government.

3.3. Population and Sample

The population of this research is all regencies/cities in West Java Province totaling 27 administrative areas. This study uses a saturated sampling technique, which is a method where all members of the population are included as part of the research sample (Sari, 2024). Thus, the research sample consists of 27 regencies/cities observed during the period 2020–2024. The dataset employed constitutes panel data, representing a synthesis of cross-sectional and time-series dimensions. The cross-sectional component encompasses 27 regencies/municipalities within West Java Province (including Bogor, Sukabumi, Cianjur, Bandung, Garut, Tasikmalaya, Ciamis, Kuningan, Cirebon, Majalengka, Sumedang, Indramayu, Subang, Purwakarta, Karawang, Bekasi, West Bandung, and Pangandaran Regencies, together with the municipalities of Bogor, Sukabumi, Bandung, Cirebon, Bekasi, Depok, Cimahi, Tasikmalaya, and Banjar). The temporal dimension comprises a five-year span, covering the period 2020–2024. The secondary data used in this study was obtained from reliable sources, such as the Central Statistics Agency (BPS), which provides data on Economic Growth, Consumption, Investment, and Government Expenditure in West Java Province.

3.4. Data Type and Source

The data used in this research is secondary data in the form of panel data, which is a combination of cross-section data (27 regencies/cities) and time series (period 2020–2024). The data source is obtained from official institutions, namely the Central Statistics Agency

(BPS) of West Java Province, which provides data related to Economic Growth, Consumption, Investment, and Government Expenditure.

3.5. Data Collection Techniques

Data collection was carried out through documentation, namely by accessing and compiling statistical data from official BPS West Java reports, regional economic publications, as well as documents related to investment reports and local government expenditure.

3.6. Data Analysis Techniques

Data analysis technique was performed using EViews 12 software. The analysis stages include several tests, starting from the Chow Test (F-test) to determine whether the more appropriate model is Pooled Least Square (PLS) or Fixed Effect Model (FEM), followed by the Hausman Test to choose between FEM and Random Effect Model (REM), as well as the Lagrange Multiplier Test (LM Test) to decide on the use of the model between PLS and REM. Subsequently, Classical Assumption Tests are conducted which include tests for multicollinearity, heteroscedasticity, autocorrelation, and normality. After that, panel data regression estimation is performed to determine the effect of consumption, investment, and government expenditure on economic growth. To test the significance of the effect of independent variables on the dependent variable, both partially and simultaneously, t-Test and F-Test are used. Finally, the coefficient of determination (R^2) is used to measure the extent to which the model can explain the variation in the dependent variable.

4. Results and Discussion

4.1. Research Results

4.1.1. Chow Test (F Statistical Test)

Table 1. Chow Test (F Statistical Test) Result

Redundant Fixed Effects Tests			
Equation: Untitled			
Test cross-section fixed effects			
Effects Test	Statistic	d.f.	Prob.
Cross-section F	2.220.760	-26,105	0.0024
Cross-section Chi-square	59.155929	26	0.0002

Source: Processed Data, 2025

The table 1 indicates that the Cross-Section F probability is 0.0024, which falls below the 0.05 significance threshold ($p < 0.05$). Accordingly, the null hypothesis (H_0) is rejected, signifying that the appropriate specification for the panel data regression is the Fixed Effect model.

4.1.2. Hausman Test

Table 2. Hausman Test Result

Correlated Random Effects – Hausman Test			
Equation: Untitled			
Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	54.518.043	3	0.0000

Source: Processed Data, 2025

Referring to the Hausman test outcomes in table 2, the probability value for the cross-section random effect is 0.0000, which is below the 5% significance threshold. Consequently, it is inferred that the Fixed Effect model constitutes the most appropriate specification for the analysis.

4.1.3. Normality Test

Below are the results of the normality test conducted to determine whether the disturbance variables or residuals in the regression model have a normal distribution or not.

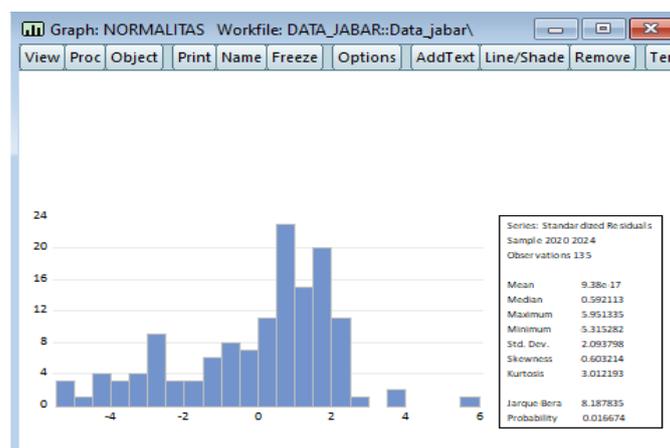


Figure 2. Normality Test Result
Source: Processed Data, 2025

The results reveal that JB statistic of 8.187835 exceeds the 5% significance threshold ($\alpha = 0.05$). Hence, the null hypothesis (H_0) is rejected, indicating that the residuals do not conform to normal distribution. To address this issue, the model was estimated using a panel fixed-effect specification with Robust Standard Errors (White cross-section), thereby ensuring the validity of the estimations despite the presence of normality assumption violations.

4.1.4. Multicollinearity Test

The outcomes of the multicollinearity assessment, derived through a correlation matrix, are presented in following table.

Table 3. Multicollinearity Test Result

	CM	I	G
CM	1.000.000	-0.277440	-0.803546
I	-0.277440	1.000.000	0.412721
G	-0.803546	0.412721	1.000.000

Source: Processed Data, 2025

The correlation matrix outcomes among the independent variables (CM, I, and G) reveal that all correlation coefficients remain below the conventional upper threshold of 0.90, which is typically employed as a benchmark for identifying severe multicollinearity within regression diagnostics. Although the correlation between CM and G attains a relatively elevated magnitude of -0.804 , this figure still exceeds the cut-off criterion of -0.90 ($-0.804 > -0.90$).

Consequently, the evidence does not substantively denote the presence of acute multicollinearity in the model. Hence, it may be inferred that no pronounced multicollinearity manifests among the independent variables within this panel regression specification.

4.1.5. Heteroscedasticity Test

Table 4. Heteroscedasticity Test Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
CM	0.077953	0.062503	1.247184	0.2151
I	0.027555	0.057030	0.483166	0.6300
G	-0.350261	0.069546	-5.036420	0.0000
C	23.17957	6.070987	3.818090	0.0002

Source: Processed Data, 2025

On the basis of the heteroscedasticity test outcomes (with full tabulations provided in the appendix), it is observable that the probability statistics for the CM and I variables are 0.2151 and 0.6300, respectively, both exceeding the 0.05 significance benchmark ($\alpha = 5\%$). This evidences that these two predictors do not exhibit heteroscedastic tendencies. Conversely, the G variable yields a probability of 0.0000, which is inferior to the 0.05 threshold, thereby necessitating the rejection of the null hypothesis (H_0 : absence of heteroscedasticity). Accordingly, it may be inferred that the regression model manifests heteroscedasticity, particularly attributable to the G variable. To overcome the problem of heteroscedasticity indicated in the model, the estimation method used in panel data regression with White cross-section (period cluster) is employed. This method falls under the category of robust standard errors, which can provide estimation results that remain valid even if the classical regression assumptions are not fully met. Thus, the resulting t-test and F-test become more reliable.

4.1.6. Autocorrelation Test

Table 5. Autocorrelation Test Result

d-stat	Confidence Level	Crit. Value
2.078.378	5%	dl = 1.613, dU = 1.736

Source: Processed Data, 2025

The autocorrelation diagnostic is undertaken to ascertain whether residual terms (errors) in the regression framework exhibit inter-temporal dependence, that is, whether the error value in one time period is correlated with that of another. The ensuing table presents the outcomes of the autocorrelation test as generated through EViews12.

Table 6. Autocorrelation Test

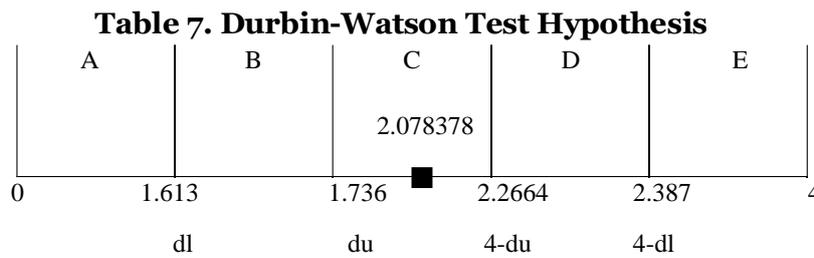
Variable	Coefficient	Std. Error	t-Statistic	Prob.
CM	-0.057346	0.127677	-0.449149	0.6542
I	0.003975	0.116496	0.032573	0.9741
G	1.117180	0.142062	7.864039	0.0000
C	-75.22958	12.40130	-6.066268	0.0000

Effects Specification

Cross-section fixed (dummy variables)

Root MSE	2.086029	R-squared	0.385815
Mean dependent var	3.513778	Adjusted R-squared	0.216182
S.D. dependent var	2.671683	S.E. of regression	2.365334
Akaike info criterion	4.752846	Sum squared resid	587.4546
Schwarz criterion	5.398462	Log likelihood	-290.8171
Hannan-Quinn criterion	5.015206	F-statistic	2.274419
Durbin-Watson stat	2.078378	Prob(F-statistic)	0.001303

Source: Processed Data, 2025



Source: Data processing, 2025

Based on the DW test hypothesis above, it can be seen that at a 95% confidence level, H_0 is accepted, meaning that d -stat is in the no autocorrelation region, so it can be concluded that there is no autocorrelation problem in the equation.

4.1.7. Testing and Estimating Overall Regression Coefficients (F-Test)

Table 8. F-stat Values from Panel Data Regression Results

F-Stat	Hypothesis H_0	Conclusion
8.358999	H_0 rejected	Significant at $\alpha = 0.05$

Source: Data processing, 2025

Based on an F-statistic value of 8.358999 with $\text{Prob}(F) = 0.0000$, the panel regression model generally shows significance. It can therefore be concluded that, taken together, the independent variables (CM, I and G) used in the model influence the dependent variable (Y). However, because the model uses White cross-section (robust standard errors), for formal testing of simultaneous significance in subsequent studies, it is recommended to use the Wald Test as a more appropriate approach.

4.2. Discussions

4.2.1. The Effect of Consumption on Economic Growth The Effect of Consumption on Economic Growth

The findings of this study demonstrate that the consumption variable significantly influences economic growth in several regencies/cities, including Bandung Regency, West Bandung Regency, Ciamis Regency, Cianjur Regency, Kuningan Regency, Purwakarta Regency, Subang Regency, Sukabumi Regency, Sumedang Regency, Bandung City, Banjar City, Bekasi City, Bogor City, Cimahi City, Sukabumi City, and Tasikmalaya City. Conversely, in other regions such as Bekasi Regency, Bogor Regency, Cirebon Regency, Garut Regency, Indramayu Regency, Karawang Regency, Majalengka Regency, Pangandaran Regency, Tasikmalaya Regency, Cirebon City, and Depok City, consumption does not exhibit a significant impact on economic growth.

The lack of influence of consumption on economic growth can be attributed to several factors, including insignificant increases in consumption, dependence on other sectors, ineffective fiscal or monetary policies that can hinder increases in consumption, high income inequality, and the ‘crowding out’ effect. These results are in line with the research by (Nujum et al., 2022), whose research title is Analysis of Macroeconomic Variables on Economic Growth in South Sulawesi, which states that the consumption variable also has no effect on economic growth.

The results of this research which found that consumption plays a role in some regencies/cities but not in other areas are in line with the findings of previous studies which show that the impact of consumption on economic growth is highly dependent on regional

context. Nujum et al. (2022) shows that community consumption is able to drive economic activity because purchasing power is relatively evenly distributed and absorbed into productive sectors. Conversely, Utami (2020) explains that consumption does not provide much impetus because most household spending is not channeled to sectors that truly drive the regional economy. Bato (2022) also shows that consumption appears more influential when it goes hand in hand with other economic activities such as exports that strengthen regional demand. Thus, this finding is in line with the existing literature because both show that the role of consumption in economic growth cannot be separated from the structural conditions of the region, policy direction, and different community spending patterns.

4.2.2. The Impact of Investment on Economic Growth the Impact of Investment on Economic Growth

The findings of this study indicate that the investment variable exerts a significant influence on economic growth in several regencies/cities, namely Bandung Regency, West Bandung Regency, Ciamis Regency, Cirebon Regency, Garut Regency, Karawang Regency, Majalengka Regency, Subang Regency, Sukabumi Regency, Sumedang Regency, Bekasi City, Cimahi City, Depok City, and Tasikmalaya City.

Conversely, in other regions such as Bekasi Regency, Bogor Regency, Cianjur Regency, Indramayu Regency, Kuningan Regency, Pangandaran Regency, Purwakarta Regency, Tasikmalaya Regency, Bandung City, Banjar City, Bogor City, Cirebon City, and Sukabumi City, investment does not appear to significantly affect economic growth. The absence of such an impact can be attributed to several underlying factors, including economic uncertainty, ineffective government policies, inadequate infrastructure, fragile market conditions, unequal access to capital, and inefficient utilization of investment. These findings align with the research conducted by Mahendra & Hanifa (2022), which similarly concludes that the investment variable does not exert a significant influence on economic growth.

In line with the findings of Wahongan et al. (2021), where investment also does not significantly drive growth due to infrastructure constraints, concentration in certain sectors, and regional policies that have not been able to optimize capital flows. This finding confirms that the contribution of investment to economic growth is greatly influenced by economic structure, distribution of recipient sectors, and the effectiveness of government policies in managing investment.

4.2.3. The Effect of Government Spending on Economic Growth

The findings of this study reveal that the government expenditure variable exerts a significant influence on economic growth in several regencies/cities, including Bandung Regency, West Bandung Regency, Bekasi Regency, Bogor Regency, Cirebon Regency, Garut Regency, Indramayu Regency, Kuningan Regency, Majalengka Regency, Pangandaran Regency, Purwakarta Regency, Subang Regency, Sumedang Regency, Banjar City, Bekasi City, Sukabumi City, and Tasikmalaya City. In contrast, in other regions such as Ciamis Regency, Cianjur Regency, Karawang Regency, Sukabumi Regency, Tasikmalaya Regency, Bandung City, Bogor City, Cimahi City, Cirebon City, and Depok City, government expenditure does not demonstrate a significant effect on economic growth.

The absence of such an effect can be attributed to several factors, including the 'crowding out' phenomenon, inefficient or unproductive spending, structural economic constraints, budgetary mismanagement or corruption, weak fiscal policy, and prevailing economic uncertainty. These findings are consistent with the study conducted by Hutagaol et al. (2024), concludes that government expenditure does not exert a significant impact on economic growth. In line with the crowding out phenomenon, namely when government spending

actually reduces the space for private investment to develop optimally. In addition, the large proportion of routine expenditure which is less productive compared to development expenditure causes the contribution of government expenditure to economic growth to become limited (Wiguna et al., 2021).

4.2.4. The Effect of Consumption, Investment, and Government Spending on Economic Growth

The F-statistic obtained from the panel data regression analysis is 8.358999, which exceeds the F-table value of 3.06 at the 95% confidence level (F-statistic 8.358999 > F-table 3.06). Consequently, the null hypothesis (H_0) is rejected. Theoretically, this relationship can be explained through the Keynesian approach which emphasizes the role of aggregate demand in driving growth, where household consumption, investment, and government spending are the main components forming Gross Regional Domestic Product (GRDP) (Bashir & Rashid, 2019; Mohammed, 2024; Saputra & Rambe, 2025). The findings of this research support this theory, as community consumption is proven to play a major role in driving economic growth. The increase in consumption in West Java is in line with the continuously developing purchasing power of the community and population growth, so that aggregate consumption experiences a significant increase (Saputro et al., 2022).

In addition, investment (I) also contributes importantly to accelerating economic growth. Investment creates new production capacity, opens employment opportunities, and increases regional productivity. The long-term effect of investment is the occurrence of continuous capital accumulation, which becomes the foundation of sustainable economic growth (Roosmanita dan Marbun, 2022). Meanwhile, government expenditure (G) has a strategic role, especially in the context of infrastructure, education, and health development. Government spending can create a multiplier effect because every increase in public spending encourages an increase in demand for goods and services, which in turn enlarges economic output (Firdaus dan Suseno, 2025).

The interaction between consumption, investment, and government expenditure shows a mutually reinforcing effect. Increased consumption drives demand for goods and services, which then creates incentives for business actors to invest. Higher investment increases production capacity, while government expenditure support facilitates economic activity through infrastructure development and public facilities. Thus, these three variables not only have an individual effect, but also synergistically in creating sustainable economic growth. This result is in line with research by Panglipurningrum & Nurdyastuti (2020) which emphasizes that consumption, investment, and government expenditure are the main pillars in strengthening the regional economic structure, particularly in West Java.

5. Conclusions

This research analyzes the effect of consumption (CM), investment (I), and government expenditure (G) on economic growth (Y) in 27 regencies/cities in West Java Province during the period 2020–2024 using panel data analysis. The research results show that consumption has a significant effect on economic growth in 16 areas, especially in Bandung City and Bekasi Regency, while in the other 11 areas it has no significant effect. Investment has a partial effect but is weaker compared to consumption, while government expenditure provides varying impacts between regions, for example significant in Depok City and Karawang Regency. Overall, these three variables are able to explain approximately 97 percent of the variation in economic growth between regions, as evidenced by an R-squared value of 0.9707.

This finding confirms the importance of consumption, investment, and government spending in driving regional economic growth. Consumption strengthens aggregate demand, investment increases production capacity and employment, while government spending on priority sectors such as education, health, and infrastructure drives long-term development. Nevertheless, this research has limitations, including only using three independent variables, being conducted during the COVID-19 pandemic period, and being limited to the aggregate level of regencies/cities. Therefore, it is recommended that the government maintain consumption-production balance, strengthen infrastructure investment, and prioritize public spending for improving workforce quality. Future researchers are also advised to expand the variables and study areas, as well as use dynamic methods so that the results are more comprehensive.

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