The Influence of Public Expenditure on Transformation of Economic Structure and Regional Development Humbang Hasundutan Regency

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ABSTRACT

This study aims to analyze the effect of public expenditure in the sectors of education, health, and infrastructure on economic structure transformation and the development of Humbang Hasundutan regency in the period 2003-2017. The data used are data on Regional Revenue and Expenditure Budget, Humbang Hasundutan Regency GRDP data, and North Sumatra Province GRDP data from 2003-2017 with a total population of 56 research data. The analysis shows that there is a structural shift in the economy from the primary sector to the secondary and tertiary sectors, and the most advanced and competitive sectors in Humbang Hasundutan Regency are tertiary / services sectors.

Keywords: Public Expenditures, Economic Structure Transformation, Regional Development, GDP per capita.

Introduction

Since Humbang Hasundutan Regency was expanded from North Tapanuli regency in 2003 ago, the Government together with the legislature have sought to allocate the budget efficiently and on target, this is intended to boost economic growth, increase welfare and develop the agricultural sector as a base sector / leading sector. The development of various agricultural infrastructures, especially the improvement of access to road transportation and the modernization of land processing and agricultural population became the main priority in 2003-2010. The real influence of development carried out by Humbang Hasundutan regency since the expansion of North Tapanuli regency is the growth and increase in per capita income each year. Per capita income in 2010 on the basis of current prices is IDR 14,381,899, - and until 2017 continues to increase, where GDP per capita in 2017 is IDR 27,449,964, or with annual growth of 10.29%.

Data on public expenditure consisting of public expenditure in the sectors of education, health, and infrastructure in Humbang Hasundutan Regency in 2003 - 2017 can be seen in the following table:

Table 1. Public expenditures consisting of expenditures in the sectors of education, health and infrastructure of Humbang Hasundutan Regency in 2003–2017

Year	PUBLIC EXPENDITURE IN THE SECTOR			
	Education (X1)	Health (X2)	Infrastructure (X3)	Total
2003	16.205.987.200,00	4.965.421.230,00	12.455.675.800,00	33.627.084.230,00
2004	23.114.567.890,00	6.543.218.901,00	16.624.154.321,00	46.281.941.112,00
2005	41.816.522.566,00	7.508.266.516,00	17.467.431.502,00	66.792.220.584,00
2006	18.377.500.000,00	3.191.528.080,00	61.866.318.000,00	83.435.346.080,00
2007	24.627.213.515,10	14.050.818.318,00	103.152.033.304,20	141.830.065.137,30
2008	24.218.049.190,04	21.554.749.502,00	106.952.049.376,00	152.724.848.068,04
2009	44.083.479.296,34	14.875.930.860,42	67.837.124.258,40	126.796.534.415,16
2010	31.228.895.478,60	15.171.913.480,00	59.777.122.455,00	106.177.931.413,60
2011	45.660.822.139,11	15.396.882.297,09	57.482.479.656,00	118.540.184.092,20
2012	38.984.509.688,36	17.864.117.784,00	88.528.627.445,71	145.377.254.918,07
2013	40.106.522.252,00	23.515.781.401,00	154.348.269.365,00	217.970.573.018,00
2014	44.776.700.391,00	39.855.024.014,00	106.666.974.138,00	191.298.698.543,00
2015	43.388.223.841,00	46.417.213.496,00	114.206.785.927,00	204.012.223.264,00
2016	31.429.506.281,00	76.028.871.099,00	144.363.707.059,00	251.822.084.439,00
2017	24.915.545.802,00	88.816.732.415,00	149.620.180.448,00	263.352.458.665,00
Total	492.934.045.530,55	395.756.469.393,51	1.261.348.933.055,31	2.150.039.447.979,37
Average (IDR)	32.862.269.702,04	26.383.764.626,23	84.089.928.870,35	143.335.963.198,63
%	22,93	18,41	58,67	100,00

Source: Bappeda, BPKPAD, APBD, Realization Report on the Implementation of the Regional Budget of Humbang Hasundutan Regency 2003-2013

Based on the data set forth in the 2016-2021 Humbang Hasundutan Regional Medium- Development Plan document, there are four things that are considered to be the core of the problems of development and development of Humbang Hasundutan Regency, as follows:

1. The average economic growth of Humbang Hasundutan Regency is 5.24% annually;
2. Per capita income that is still relatively low is IDR 24,490,000, - compared to the average per capita income of North Sumatra Province of IDR 41,020,000;
3. The poverty rate is still very high at 9.8%;
4. Open unemployment rate of 0.69%

Statement of the problem
1. Do public expenditure in education sector, health sector and infrastructure influence the transformation of the economic structure and regional development of Humbang Hasundutan Regency?
2. Does the transformation of the economic structure influence the development of Humbang Hasundutan Regency?

Literature Review

Regional planning is knowing and analyzing current conditions, forecasting the development of various relevant non-controllable factors, estimating limiting factors, determining the goals and objectives expected to be achieved, determining the steps to achieve these objectives and determining the location of various activities that will implemented (Robinson, 2005). M.L. Jhingan (2016) states that development planning is basically a deliberate control and regulation of the economy by a central authority (government) to achieve certain goals and objectives within a certain period of time.

According to Budiharsono (2002) regional development needs to be supported by biogeophysical aspects, economic aspects, social and cultural aspects, institutional aspects, location aspects and environmental aspects. Sirojuzilam (2005) explains that regional development is basically an increase in the value of regional benefits for the community of a particular region.

Rostow and Musgrave (2003) in Sirojuzilam (2010) developed a theory that links the development of government spending and the stages of economic development. In the early stages of economic development the percentage of government investment in total investment is large, because the government must provide infrastructure such as education, health, transportation infrastructure and so on.

To carry out the functions of the state and the government, an adequate state budget is needed to finance various needs for achieving the goals of the state, such as the welfare of its people. In terms of the public economy, these state expenditures are grouped into 3 (three) groups, as follows:

1. Government Consumption

Government consumption is consumption group expenditure for state administration costs, such as:

- Salaries and wages of state administrators (executive, legislative, judiciary, and other state institutions), along with its bureaucracy (civil servants, police and army) including the costs of official travel for state administrators, both domestically and abroad;
- Government spending to buy goods and services to be used in the operation of the country;

2. Government Investment

It is state expenditure in the form of investment (for future benefits) carried out by the state (government), for example to build infrastructure needed by the community (roads, offices, hospitals, schools, etc.).

3. Transfer payments by the state to the public.

It is a fund from the state for the purpose of helping people who need it or transfer payments paid by the state through the government to the people who need it.

According to Tri Widodo (2006), shift share analysis is one of the quantitative techniques commonly used to analyze changes in the regional economic structure relative to the higher economic structure of administrative regions as a comparison or reference.

Chenery dan Syrquin (1975) dalam Arsyad (2016) menyatakan bahwa pembangunan dapat dipandang sebagai suatu proses transisi multidimensi yang mencerminkan hubungan antar berbagai proses perubahan di dalam suatu negara.

Material and Method

The method of this research is associative research using a regression approach. This research is ex-postfacto which will explain the effect of public expenditure in the sectors of education, health, and infrastructure on the transformation of the economic structure of Humbang Hasundutan Regency. The data in this study are sourced from:

1. Humbang Hasundutan Regency GRDP and North Sumatra Province GRDP in 2002-2017, this data was obtained from the Central Statistics Agency (BPS) of Humbang Hasundutan Regency and the Central Sumatra Statistics Agency (BPS) of North Sumatra Province;
2. Humbang Hasundutan In Numbers 2003-2018, this data was obtained from the Central Statistics Agency (BPS) of Humbang Hasundutan Regency.
3. Documents for the Regional Medium-Term Development Plan Humbang Hasundutan Regency Regulations for 2016-2021, this data is obtained from the Regional Development Planning Agency, Humbang Hasundutan Regency;
4. Accountability Statement Document (LKPj) of Humbang Hasundutan Regent. This data was obtained from the Regional Development Planning Agency (Bappeda), the Regional Financial Management, Revenue and Assets Agency (BPKPAD) and the Secretariat of the Regional Representative Council (DPRD) of Humbang Hasundutan Regency

To analyze the objectives carried out by analysis as follows:

a. To analyze the objectives of the first study, carried out by multiple linear regression analysis with structural equations:

$$Y = a + b1\ X_1 + b2\ X_2 + b3\ X_3 + ...+ e$$ ....

$$Z = a + b1\ X_1 + b2\ X_2 + b3\ X_3 + ...+ e$$ ....

b. To analyze the second objective of study, carried out by multiple linear regression analysis with structural equations:

$$Z = a + b\ Y\ ....+ e$$ ....

Meaning of letter:

Y = Economic Structure Transformation (Dependent Variable)
Z = Regional Development (Dependent Variable)
a = Constants
b = Regression Coefficient
X_1 = Public expenditure in education
X_2 = Public expenditure in the health sector
X_3 = Public expenditure in infrastructure
E = other factors

To analyze changes in regional economic structure relative to the higher administrative structure of the administrative region as a comparison or reference, shift share analysis is used.

Table 2. Operational Definitions of Research Variables

No.	Variable	Definition	Indicator	Scale

International Journal of Research

Available at https://pen2print.org/index.php/ijr/

e-ISSN: 2348-6848
p-ISSN: 2348-795X
Volume 06 Issue 1
January 2019

1.	Public Expenditure in the sector of Education	Public expenditure in the education sector is the expenditure of the Humbang Hasundutan Regency in the education sector that is in the 2003-2017 Regional Revenue and Expenditure Budget, especially direct expenditure which is used to finance various programs and activities to improve education degrees.	Direct expenditure in education in the Humbang Hasundutan Regency Budget in 2003-2017	IDR
2.	Public Expenditures in Health sector	Public expenditure in the education sector is the expenditure of the Humbang Hasundutan Regency in the health sector that is in the 2003-2017 Regional Revenue and Expenditure Budget, especially direct expenditure which is used to finance various programs and activities to improve health degrees.	Direct expenditure in the health sector of the Humbang Hasundutan Regency Budget in 2003-2017	IDR
3.	Public Expenditures in the Infrastructure Sector	Public expenditure in infrastructure is the expenditure of the Humbang Hasundutan Regency Government that is in the 2003-2017 Regional Revenue and Expenditure Budget to build various infrastructures, and in this case is direct expenditure used to finance various programs and activities for the construction of facilities and supporting infrastructure.	Direct expenditure in infrastructure in the Humbang Hasundutan Regency Budget in 2003-2017	IDR
4.	Economic Structure Transformation	Economic Structure Transformation is the shift-share value calculated based on GRDP at Constant Price, and the unit is IDR. The formula for calculating the shift-share value in this study is **the value of national growth effect + proportional shift + differential shift;**	Shift-Share value is calculated based on GRDP at the Constant Price Year 2003-2017	IDR
5.	Regional Development	Regional development is an increase in the value of regional benefits for the community, with an average level of community welfare that is improving and increasing.	Per-capita GRDP	IDR

Result

Table 3 The real growth rate of the Regency of Humbang Hasundutan GRDP according to Business Fields on the basis of Constant Prices in 2011-2017

GRDP Sector	RATE OF GROWTH IN THE YEAR (%)							Mean
	2011	2012	2013	2014	2015	2016	2017	
Agriculture, Animal Husbandry, Forestry and Fisheries	1,50	4,22	5,04	3,56	4,53	3,36	3,97	3,74
Mining and excavation	7,47	7,53	8,45	6,96	5,00	7,50	6,09	7,00
Processing industry	3,12	7,15	3,12	4,74	4,15	4,22	4,02	4,36
Procurement of Electricity and Gas	8,30	8,27	5,37	6,43	8,12	1,93	2,15	5,80
Water Procurement, Waste Management, and Recycling	5,67	5,14	5,58	6,02	6,07	6,28	6,00	5,82
Construction	7,55	6,47	6,73	9,53	3,44	7,29	6,40	6,77
Large and Retail Trade; Car and Motorcycle Repair	6,87	8,54	7,40	7,00	4,75	8,52	7,63	7,24
Transportation and Warehousing	7,77	7,83	8,13	6,26	5,30	6,09	6,74	6,87
Accommodation Facilities and Restaurant	5,93	7,91	8,20	6,06	5,87	7,25	6,22	6,78
Information and Communication	8,62	5,69	7,18	7,67	4,55	6,65	5,55	6,56
Financial and Insurance Services	4,06	6,56	4,09	3,97	4,40	5,67	3,87	4,66
Real Estate	7,21	7,64	7,67	6,92	5,31	9,69	7,83	7,47
Company Services	8,48	5,91	6,11	6,59	4,62	6,87	4,29	6,13
Government Administration, Defense and Mandatory Social Security	6,23	5,49	3,76	7,04	5,69	2,54	3,40	4,88
Education Services	7,73	5,39	7,38	5,74	4,30	5,44	4,75	5,82
Health Services and Social Activities	8,67	7,59	8,78	5,12	5,73	5,02	5,79	6,67
Other services	8,06	6,61	6,43	7,08	5,23	8,39	8,12	7,13
Amount / Average Economic Growth Humbang Hasundutan Regency	**4,15**	**5,65**	**5,72**	**5,54**	**4,63**	**5,02**	**5,07**	**5,11**

Source: Humbang Hasundutan Regency Central Bureau of Statistics, 2011-2017

Table 4 Comparison of GDP per capita of Humbang Hasundutan Regency compared to North Sumatra Province in 2011-2017

URAIAN	TAHUN							
	2010	2011	2012	2013	2014	2015	2016	2017
PDRB Perkapita ADHK								
- PDRB Kab.Humbang Hasundutan	15.390.530,00	16.998.520,00	16.678.320,00	17.238.437,39	18.141.950,00	18.617.318,35	19.348.073,78	20.136.242,78
- Indeks Peningkatan (%)		10,45 -	1,88	3,36	5,24	2,62	3,93	4,07
PROVINSI SUMATERA UTARA								
- PDRB Provinsi Sumatera Utara	9.110.777,00	9.660.525,00	10.174.791,00	29.339.205,89	31.477.071,97	31.637.413,89	32.385.087,69	34.183.579,22
- Indeks Peningkatan (%)		6,03	5,32	188,35	7,29	0,51	2,36	5,55

URAIAN	TAHUN							
	2010	2011	2012	2013	2014	2015	2016	2017
PDRB Perkapita ADHB								
- PDRB Kab.Humbang Hasundutan	14.381.889,00	16.114.398,00	18.193.417,00	24.459.726,13	22.443.856,67	24.492.560,98	25.828.988,59	27.449.964,04
- Indeks Peningkatan (%)		12,05	12,90	34,44 -	8,24	9,13	5,46	6,28
PROVINSI SUMATERA UTARA								
- PDRB Provinsi Sumatera Utara	21.108.505,00	23.991.310,00	26.568.861,00	34.544.178,04	37.913.895,62	41.019.539,08	44.557.762,32	47.963.990,83
- Indeks Peningkatan (%)		13,66	10,74	30,02	9,75	8,19	8,63	7,64

Source: Central Bureau of Statistics, Humbang Hasundutan Numbers in 2017

Table 4 above provides information that there was a very high GRDP per capita growth in 2011, which was 10.45% on the basis of Constant Prices (ADHK), although in the following year it was quite volatile in 2012-2017, even in 2012 amounting to -1.88%. While the growth of GDP based on current prices (ADHB) is very high above 7% per year, and in 2013 experienced a very high growth of 30.02%. When compared with the GDP per capita of North Sumatra Province, especially on the basis of Applicable Assets, the inequality is quite large, ± 30% every year.

Analysis of the Influence of Public Expenditures on Economic Structure Transformation using multiple linear regression. In this study multiple linear regression analysis was conducted to analyze the effect of public expenditure on public expenditure in the education sector (X1), health (X2) and infrastructure (X3) on the transformation of the economic structure of Humbang Hasundutan Regency (Y), formulated as follows:

$$Y = a + b1X_1 + b2X_2 + b3X_3 + e$$

Where:

Y = Economic Structure Transformation *(Dependent Variable)*
a = Constants
b = Regression Coefficient
X_1 = Public expenditure in the education sector
X_2 = Public expenditure in the health sector
X_3 = Public expenditure in the infrastructure sector
e = Error estimation outside the model

The results of data processing using IBM SPSS Statistics version 24, as in table 4 obtained multiple linear regression equations as follows:

Y = -1,379 + 2,304 X_1 + 1,051 X_2 + 0,624 X_3 + e.

t-statistic = (-3,225) (5,609) (4,523) (4,658)

R = 88,10 %   n = 56   t-tabel = 2,0057

F = 60,173   α = 5 %   F-tabel = 2,783

From the above equation can be seen partially all independent variables, variable X_1 (public expenditure in the education sector), variable X_2 (public expenditure in the health sector and variable X_3 (public expenditure in the infrastructure sector) are linearly positive and significant effect on variable Y (Economic Structure Transformation of Humbang Hasundutan Regency) which is proven by the result that t-statistic > t-table (α 5%).

The influence of the variable public expenditure in the education sector (X_1), health (X_2) and infrastructure (X_3) on the transformation of the economic structure of Humbang Hasundutan Regency (Y) is:

$$X_1 \longrightarrow Y = 2{,}304$$

$$X_2 \longrightarrow Y = 1{,}050$$

$$X_3 \longrightarrow Y = 0{,}624$$

The interpretation of the equation model is:

1. Public expenditure in the education sector (X_1)

   Public expenditure in the education sector (X_1) has a positive effect on the transformation of the economic structure of Humbang Hasundutan Regency (Y), with a coefficient of 2.304. If public expenditure in the education sector increases, the transformation of the economic structure will also increase, or if there is an increase in public expenditure in education (X_1) of IDR 1, then the transformation of the economic structure of Humbang Hasundutan Regency (Y) will increase by IDR 2.30, -

2. Public expenditure in the health sector (X_2)

   Public expenditure in the health sector (X_2) has a positive effect on the transformation of the economic structure of Humbang Hasundutan Regency (Y), with a coefficient of 1,050. This means that if there is an increase in public expenditure in the health sector (X_2) of IDR 1, - then the transformation of the economic structure of Humbang Hasundutan Regency (Y) will increase by IDR 1.05, -

3. Public expenditure in the infrastructure sector (X_3)

   Public expenditure in infrastructure (X_3) has a positive effect on the transformation of the economic structure of Humbang Hasundutan Regency (Y), with a coefficient of 0.624. This means that if there is an increase in public expenditure in infrastructure (X_3) of IDR 1, - then the transformation of the economic structure of Humbang Hasundutan Regency (Y) will increase by IDR 0.62, -

Simultaneously the independent variable, variable X_1 (Public Expenditure in the Education sector), variable X_2 (Public Expenditure in the Health sector and Variable X_3 (Public Expenditure in the Infrastructure sector) are able to explain the variable Y (Economic Structure Transformation of Humbang Hasundutan Regency) of 77.60% (R. Square = 0.776 (F-ratio> F-table) α%, and only 77.60% are influenced by other variables which do not include predictive variables.

Analysis of the effect of public expenditure on the development of the Humbang Hasundutan Regency area.

The indicators used to measure the level of success of development and regional development as stated by Indra Maipita (2014), are economic growth, growth in per capita income, a decrease in poverty / poverty rates, a decrease in the unemployment rate, an increase in life expectancy, the average length of education , all of which are summarized in the Human Development Index (HDI).

The regional development indicators used in this study are Per capita GRDP (Rupiah), and linear regression analysis is used to see whether public expenditure consists of public expenditure in the education sector (X_1), public expenditure in the health sector (X_2) and public expenditure in the sector infrastructure (X_3) influences the development of Humbang Hasundutan Regency.

Based on the results of the analysis, the following multiple linear regression equations are obtained:

Z = 321.199,568 + 5,013 X1 + 0,000 X2 + 0,000 X3 + e

Sig value <0.05 so that it can be interpreted that partially the variable public expenditure in the education sector (X_1), health (X_2) and infrastructure (X_3) has a positive effect on the development of the Humbang Hasundutan Regency, and simultaneously the variables in the education sector (X_1), health (X_2) and infrastructure (X_3) are able to explain the regional development variable (Z) of 93.10% (R. Square = 0.931)

Secara parsial dapat juga dijelaskan bahwa variabel pengeluaran publik di bidang pendidikan merupakan variabel yang paling besar mempengaruhi pengembangan wilayah Kabupaten Humbang Hasundutan.

Table 5: Model Summary, Dependent Variable Z, Constant: X_1, X_2, X_3

Model Summary[b]

| Model | 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	.965[a]	.931	.927	431546,3115	.931	232,715	3	52	,000	,419

a. Predictors: (Constant), X3, X2, X1

b. Dependent Variable: Z

Table 5: Coefficients, Dependent Variable Z, Constant : X_1, X_2, X_3

The interpretation of the equation model is:

1) Public expenditure in education sector (X_1) has a positive effect on the development of Humbang Hasundutan Regency (Z), with a coefficient of 5,013. If there is an increase in public expenditure in the education sector (X_1) of Rp. 1, then the Regency's per capita GRDP of Regency (Y) will increase by IDR 5,013, -;

2) 2) Public expenditure in the health sector (X_2) has a positive effect on the development of Humbang Hasundutan Regency (Z), with a coefficient of 0,0001. This means

that if there is an increase in public expenditure in the health sector (X_2) of IDR 1, then the Per capita GRDP of Humbang Hasundutan District (Z) will increase by IDR 0.0001, -

3) Public expenditure in sector infrastructure (X_3) has a positive effect on the development of Humbang Hasundutan Regency (Z), with a coefficient of 0,0001. This means that if there is an increase in public expenditure in the infrastructure sector (X_3) of IDR 1, then the Per capita GRDP of Humbang Hasundutan District (Z) will increase by IDR 0,0001,

4) -

Analysis of the effect of economic structure transformation on the development of Humbang Hasundutan Regency

Based on the results of the analysis obtained a simple linear regression equation as follows:

$$Z = 72.513{,}625 + 9{,}027\,Y + e$$

Table 6 : Coefficients, Dependent Variable Z, Constant : Y

Coefficients[a]

Model		Unstandardized Coefficients B	Std. Error	Standardized Coefficients Beta	t	Sig.	95,0% Confidence Interval for B Lower Bound	Upper Bound
1	(Constant)	7251 37,625	2003 55,344		3,619	,001	3234 49,347	1126825,904
	Y	9,027E-5	,000	,930	18,538	,000	,000	,000

a. Dependent Variable: Z

Table 7: Summary Model, Dependent Variable Z, Constant : Y

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics R Square Change	F Change	df1	df2	Sig. F Change	Durbin-Watson
1	,930[a]	,864	,862	592713,3128	,864	343,659	1	54	,000	,208

a. Predictors: (Constant), Y

b. Dependent Variable: Z

The interpretation of the equation model is:

The transformation of economic structure (Y) has a positive effect on the development of Humbang Hasundutan Regency (Z), with an effect of 9,072. If there is an increase in the value of transformation of the economic structure (Y) of IDR 1, then the per capita per capita of Humbang Hasundutan District (Y) will increase by IDR 9,072.

Partially the transformation of economic structure has a positive effect on the development of Regency Humbang Hasundutan (sig <0.05 or 0,000 <0.05), and simultaneous transformation of economic structures can influence regional development by 86.40% (R. Square = 0.864).

Discussion

The influence of public expenditure on the development of Humbang Hasundutan Regency

In this study there are three independent variables to see the effect of these variables on regional development. These variables are public expenditure in the education, health and infrastructure sectors. All independent variables have a positive and significant positive effect on the development of Regency Humbang Hasundutan which is measured using per capita GRDP indicators. The higher public expenditure in the education, health and infrastructure sectors is spent by the Government, the per capita GRDP will also increase, according to the research

hypothesis that public expenditure in the education, health and infrastructure sectors has a positive effect on the development of Humbang Hasundutan Regency.

Public expenditure in the education sector was the most influential variable in the development of Humbang Hasundutan Regency. This is in accordance with the theory as stated by Arsyad (2006) that not only is the development of physical capital capable of stimulating economic growth, but the development of human resources is also considered capable of being the driving force of economic progress and income per capita of the population.

Descriptively it can also be observed that in the period 2003-2017 there was an increase in the human development index and its components such as life expectancy increasing, the percentage of poverty decreasing, per capita GRDP increasing, the average education level increasing, and the unemployment rate decreasing in Humbang Hasundutan Regency.

The concrete influence of public expenditure on infrastructure on regional development is the increase in per capita income of the community each year, and the availability of various public facilities and infrastructure that can be directly enjoyed by the community.

The population poverty rate shows a declining trend every year, in 2006 the poverty rate of the population of Humbang Hasundutan Regency was recorded at 22.14%, but in 2017 it reached 9.85%. Then the open unemployment rate also shows a downward trend, in 2007 the level of open unemployment in Humbang Hasundutan Regency was 5.89% and in 2017 was only 1.22%, HDI showed an upward trend every year, in 2010 HDI

Humbang Hasundutan Regency was 63 , 40 and in 2017 have reached 67.30.

The influence of economic structure transformation on the development of Humbang Hasundutan Regency

The results of the analysis show that economic structure transformation has a positive and significant effect on regional development, which is measured using the GDP per capita of the population. In terms of employment, there is a downward trend in employment in the agricultural sector, on the contrary there is an increase in employment in the services sector. The structural shift in the economy of Humbang Hasundutan Regency has a positive impact on the development of economic sectors in Humbang Hasundutan District, especially the secondary sector and tertiary sector. The tertiary secondary sectors have become the fastest growing sector in Humbang Hasundutan Regency, which is observed through increasing GDP per year.

The transformation of the economic structure was able to encourage an increase in the per capita income of the population of Humbang Hasundutan Regency as measured by per capita GRDP. The higher the shift value share of the economic sectors of Humbang Hasundutan Regency, the higher the per capita GRDP of the population. In 2003 Humbang Hasundutan's GDP per capita was only IDR 6,112,868, - and keep on increased every year until 2017, IDR 27,449,464.

The process of economic structural transformation and development of Humbang Hasundutan Regency from the primary sector to the secondary and tertiary sectors was also marked by the establishment of new industrial sectors in Humbang Hasundutan Regency such as

coffee processing industry, tapioca flour processing industry, sweet potato processing industry etc.

The growth of new industries in Humbang Hasundutan Regency also absorbs labor, and plays a role in regional development, because raw materials for the average industry are sourced and processed in Humbang Hasundutan Regency by forming a pattern of cooperation and partnership.

Conclusion

1. Public expenditure in the education, health and infrastructure sectors has a positive effect on the transformation of the economic structure of Humbang Hasundutan Regency. Simultaneously public expenditures in the education, health and infrastructure sectors were able to influence the transformation of the economic structure of Humbang Hasundutan Regency by 88.10%.
2. Public expenditure in the education, health and infrastructure sectors has a positive effect on the development of the Humbang Hasundutan Regency area. Simultaneously public expenditures in the education, health and infrastructure sectors were able to influence the development of Humbang Hasundutan Regency by 93.10%.
3. Transforming the structure of the economy has a positive effect on the development of Humbang Hasundutan Regency. The transformation of the economic structure is able to influence regional development as measured by the Human Development Index of 86.40%. The real effect of economic structure transformation on the development of the Humbang Hasundutan Regency area can be seen through the increasing trend of economic growth, a decrease in poverty, a decline in the open unemployment rate, an increase in life expectancy and education levels which tend to be positive and show growth during this study period.

Suggestions

1. The Humbang Hasundutan Regency Government is advised to be more selective and prioritize the budget to finance public expenditures in the education, health and infrastructure sectors for the sake of accelerating and improving the economy. The allocation of the budget especially in the infrastructure sector is expected to be able to encourage an increase in the per capita income of the community through the availability of various facilities and infrastructure needed by the community.
2. The government together with the Regional Representative Council (DPRD) must support each other in the formulation and allocation of budgets for various fields or productive sectors so that they can accelerate the development and economic transformation of Humbang Hasundutan Regency, which ultimately leads to efforts to achieve the vision and mission in improve people's welfare.
3. To other researchers who wish to continue research on the effect of public expenditure on the transformation of economic structures, it is recommended that other public expenditure variables be based on the conditions and

characteristics of the area to be studied, so that the results can be used as references and guidelines in the budgeting process, allocation more appropriate and productive budget.

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