# THE ROLE OF COMMUNITY CONSUMPTION AND PURCHASING POWER IN ECONOMIC GROWTH IN CENTRAL JAVA PROVINCE

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| ARTICLE INFO | ABSTRACT |
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| **Published:** 23 March 2024 | *Public consumption can experience fluctuations. This is due to several dominant factors. Among them is people's changing purchasing power. Economic growth also influences other factors. Growth in Central Java is one of the provisions on the island of Java. This research uses quantitative methods. Data on public consumption and purchasing power as well as economic growth were taken from the central bureau of statistics from 2015 to 2020. The research results show that public consumption has an influence on economic growth in Central Java. Purchasing power also influences economic growth in Central Java. The government should be able to provide work programs and social assistance that can increase people's purchasing power.* |
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| | *Kosumsi masyarakat dapat mengalalmi fluktuasi. Hal ini disebabkan beebrapa factor dominan. Diantaranya daya beli masyarakat yang berubah ubah. Pertumbuhan ekonomi juga mempemgaruhi factor lain. Pertumbuhan di Jawa tengah menjadi salah satu provisi yang berada di pulau Jawa. Peneltiian ini menggunkaan metode kuantitatif. Data konsumsi masyarakat dan daya beli serta pertumbuhan ekonomi diambil dari biro pusat statistic pada tahun 2015 hingga 2020. Hasil peneltian menunjukkan bahwa konsumsi masyarakat mempunyai pengaruh terhadap pertumbuhan ekonomi di Jawa tengah. Daya beli juga mempengaruhi pertumbuhan ekonomi di jawa tengah. Pemerintah hendaknya dapat memberikan program kerja dan bantuan sosia yang mampu meningkatkan daya beli masyarakat.* |

## INTRODUCTION

Human needs are everything that is necessary for humans to function perfectly, differently and more nobly than other creatures. Desire is related to a person's desire or hope which, if fulfilled, will not necessarily increase the perfection of human function. Economic growth is a long-term economic problem and is an important phenomenon experienced by the world.

lately. One benchmark that can be used to assess the economic condition of a region is the region's Gross Regional Domestic Product (GRDP). An increase or decrease in GRDP indicates an increase or decrease in the production process of goods and services produced by a region. Therefore, GRDP can be used as an indicator of a region's economic success( Afiftah,2019). Apart from economic growth, consumption expenditure patterns can also be used as an indicator of the level of economic well-being of society. Consumption is spending on goods and services made by households with the aim of meeting the needs of the people making the purchases. Furthermore, the goal of consumption in conventional economic theory is to seek the highest satisfaction (utility). Determining goods or services to be consumed is based on the criteria for the level of satisfaction. The level of consumption of a consumer is only determined by the capabilities of his budget. As long as there is a budget to purchase the goods or services, he will consume the goods or services in question. The higher a consumer's income, the goods that were previously considered luxury goods will turn into normal goods or inferior goods. In this way, consumers never stop consuming.

Economic growth is a long-term economic problem, and economic growth is an important phenomenon experienced by the world recently. This economic growth process is called Modern Economic Growth (Suhada, et al., 2022) Basically, economic growth is defined as a process of growth in per capita output in the long term. This means that in the long term, prosperity is reflected in an increase in per capita output which at the same time provides many alternatives for consuming goods and services, and is accompanied by increasing people's purchasing power. Economic growth is also related to the process of increasing the production of goods and services in society's economic activities. It can be said that growth concerns development with a single dimension and is measured by increasing production output and income. In this case, it means that there is an increase in national income as indicated by the value of Gross Domestic Product (GDP).

**METHOD**

In this research, what is meant by population i is all research variable data i.e. all research variable data related to consumption, purchasing power, and economic growth in Central Java The sampling technique used by the author is non-probability sampling. According to Sugiyono (2010, hlm. 120) non-probability sampling is i.an technique of sampling which gives the same opportunity/opportunity for each element or member of population to be selected. This sampling technique includes, systematic sampling, quota , accidental, purposive, saturated, snowball sampling The non-probability sampling technique used in this sampling technique is this purposive sampling technique. Meanwhile, the sample used in this research is data (time series) for 5 years in 65 areas of the central Java province. Thus, the number of samples used in this research is 30 samples. The data that is used in this research, if viewed from its nature, it is quantitative data, that is, data that is in the form of numbers and can be measured. The National Bureau of Statistics used in this research is secondary data, namely data in the form of reports that have been compiled and published by relevant parties, namely from BPS, BI, NaSppeda, central Java in various editions as well as various other relevant sources such as journals, dissertations, internet, my mother and the results of other research related to the research carried out. Related to this research, the research variables are classified as follows: Provide a clear and shortened version of your methods in conducting the research, the population and sample, and means of data analysis.

## RESULT AND DISCUSSION

Data processing was carried out after data on investment variables, HDI and economic growth were taken from the national statistics bureau data from 2017 to 2021.

The results of the normality and multilinearity of the data are as follows: Regression requirements are good if the research data follows a normal distribution. Based on the normality test of the data, the hypothesis test which states that the distribution of the data in this regression analysis follows the normal distribution. This is indicated by all the Asymp values. Sig. > 0.05. This means that all data are normally distributed.

Table 2. Model Summary

| Model Rs | R Squred | Adjusted R Square | Std.Error of The estimate |
|---|---|---|---|
| 0,239 | 0,311 | 0,639 | 9,261 |

Based on the Anova table, the sig. of 0.000, which means the independent variable has an effect on the dependent variable. There is an influence of 31% of the variables X1 and X2 on Y.

Table 3. Model Summary

| Model | B | Unstandardized Coefficients Std. Error | Standardized Coefficients Beta | t | Sig. |
|---|---|---|---|---|---|
| Constant | 7.218 | 3.013 | | 2.127 | .002 |
| X1 consumption | .119 | 0.74 | -919 | -1.616 | .010 |
| X2 Purchasing power | .017 | 0.47 | .042 | .356 | .003 |

From the table above, the Sig values for variables X1, X2, X3 each amount to, 0.002, 0.003, 0.002 < 0.05, which means that all independent variables affect variable Y. The variables of consumption, and Purchasing power each have an effect on economic growth.

Economic growth can be increased if purchasing power increases. This research is in accordance with research from (Efendi, et al, 2020) which states that public consumption is the main mainstay in some regions in creating economic growth because of its large contribution in forming GRDP. This must be a real concern for local governments to improve community welfare. Likewise with (Saputro, et al, 2022).

**Acknowledgement**

## CONCLUSION

There is an influence of public consumption on economic growth in Central Java, there is an influence of purchasing power on economic growth. The government should create a program for work, so that people can increase their purchasing power.

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