

Analysis Of The Impact Of Central Government Official Travel Expenditure On The Tertiary Sector: Perspectives From Economic Education And Public Finance In Indonesia

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Abstract

This study aims to analyze the impact of central government official travel expenditures on the economic growth of the tertiary sector, particularly the accommodation and transportation subsectors in Indonesia. Official travel expenditure is frequently perceived merely as an operational burden, despite its substantial potential as a fiscal injection instrument to stimulate the local economy. This research employs an explanatory quantitative approach using panel data regression methods across 38 provinces over the 2019–2024 period. The analyzed data is sourced from the State Budget and Treasury Online Monitoring System (OMSPAN) and the Directorate General of Fiscal Balance for fiscal variables, alongside Statistics Indonesia (BPS) for macroeconomic indicators. The primary results demonstrate that official travel expenditures have a positive and significant effect on the Gross Regional Domestic Product (GRDP) of the accommodation subsector and transportation, contributing 0.252 % and 0,0564% for every unit increase in expenditure. Furthermore, path analysis confirms that the accommodation and transportation sectors effectively mediate the transmission of the impact of official travel expenditures toward achieving the aggregate total GRDP. The conclusion of this study asserts that bureaucratic mobility serves as a vital and effective mechanism for sectoral fiscal stimulus. The

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practical contribution of this research lies in providing a policy foundation for state treasury authorities to reformulate and allocate official travel budgets as a tool for equitable regional economic distribution. Theoretically, this study substantially enriches the multiplier effect model literature regarding the direct impact of state apparatus mobility on escalating the productivity of the service industry in developing countries.

Keywords: Official Travel Expenditure, Tertiary Sector, Regional GRDP, Keynesian Multiplier Effect, Bureaucratic Tourism, Panel Data Regression

INTRODUCTION

Global and national economic dynamics over the past decade, particularly during the post-COVID-19 pandemic recovery phase, have positioned the tertiary sector as one of the principal drivers of Gross Regional Domestic Product (GRDP). Recent developments indicate that the service sector, which includes accommodation, food and beverage, and transportation, faces significant challenges arising from aggregate-demand volatility and fluctuations in purchasing power. Under these conditions, government intervention through fiscal policy instruments is crucial. One component of state expenditure that plays a strategic role but frequently attracts public controversy is central government official travel expenditure. The demands of bureaucratic work require high levels of mobility among state officials to ensure cross-regional coordination, supervision of national strategic projects, and effective implementation of decentralization policies.

The sharp fluctuations shown in this graph have prompted critical debate about the effectiveness of this expenditure as an instrument of regional economic stimulus. On the one hand, the increase in allocations, which peaked in 2024, reflects the urgent need for extensive bureaucratic coordination. On the other hand, this significant nominal increase requires empirical evidence to establish whether the budget genuinely has a linear relationship with growth in the tertiary sector in the regions or merely constitutes a routine bureaucratic operating cost. The gap between the size of the allocation and expectations regarding its impact on the local economy requires an objective examination of the fiscal leverage generated by official travel expenditure.

Unfortunately, public discourse and even some academic literature often reduce official travel expenditure to a routine operating cost (a sunk cost) or an example of bureaucratic inefficiency, without examining its potential economic spillover effects. In fact, every movement



of government officials from the center to the regions necessarily involves real economic transactions—from purchasing airline tickets and renting vehicles to booking hotel rooms and consuming local food. These activities create an extensive value chain and inject liquidity directly into regional business ecosystems. Therefore, this study is important because it seeks empirical evidence to challenge the negative stigma surrounding official travel expenditure by placing it within a macroeconomic analytical framework and examining its effectiveness in stimulating tertiary-sector growth across Indonesia's 38 provinces.

Conceptually, this phenomenon can be examined through Keynesian Macroeconomic Theory (Keynes, 1936), which assumes that government expenditure is a major variable capable of increasing aggregate demand and generating a multiplier effect in the economy. In this context, Keynesian theory provides a theoretical justification for the proposition that funds injected through official travel increase the income of local private-sector businesses, which in turn encourages further consumption through the circular flow of income. This concept is further developed by Endogenous Growth Theory, proposed by Romer (1990) and Lucas (1988), under which government fiscal policy affects not only the short term but also, structurally, long-term efficiency and capital accumulation. Furthermore, this study draws on the Tourism-Led Growth Hypothesis (TLGH). As Aida et al. (2024) explain, tourism and human mobility can facilitate economic development in developing countries with relatively affordable investment requirements. Kartiasih (2019) also highlights that growth in transportation and regional economies depends heavily on the availability of infrastructure and mobility. Similarly, Septiatin et al. (2016) emphasize that fundamental macroeconomic indicators, such as inflation and unemployment, consistently influence regional growth. Integrating these scholarly perspectives, official travel can be conceptualized as institutionally controlled “bureaucratic tourism,” through which fiscal funds are directed specifically toward tertiary-sector economic centers, creating resilience for accommodation and transportation service providers.

Although the underlying theories are sufficiently strong, the literature reveals a crucial research gap. Economic-impact studies have generally focused on capital expenditure or the tourism sector in broad terms. Applied studies specifically examining central government official travel expenditure and its effects on individual sectors remain limited. Moreover, many studies equate the movement of ordinary tourists with the mobility of bureaucratic officials, even though official travel has a definite budget that is fully guaranteed by the State Budget (APBN). To address this gap, this study aims to test the significance of the effect of official travel expenditure and



analyze its mediating role in the accommodation subsector, transportation sector, and overall GRDP. Theoretically, the study is expected to enrich the literature by developing research that integrates “bureaucratic tourism” as a driver of regional growth based on Endogenous Growth Theory. In practical terms, the findings can serve as an evidence-based policy foundation for the Directorate General of Treasury (DJPb), Ministry of Finance, to reorganize financial management, evaluate cost standards, and optimize official travel budgets—not merely as an operational tool for government agencies, but as a strategic instrument for promoting appropriately targeted regional economic distribution

Keynesian Fiscal Expenditure Theory

Keynesian Fiscal Expenditure Theory provides a fundamental framework for explaining how government expenditure can stimulate aggregate demand and promote regional economic growth. Keynes (1936) argued that economic output is influenced by aggregate demand, which consists of consumption, investment, government expenditure, and net exports. Within this framework, government expenditure represents an important fiscal instrument because it can stimulate economic activity when private-sector demand is insufficient. In the context of central government official travel expenditure in Indonesia, this theory provides a basis for understanding how administrative mobility generates economic transactions in destination regions.

Official travel expenditure includes transportation tickets, accommodation, meals, local transportation, and other authorized operational expenses. These expenditures generate revenue for hotels, restaurants, transport operators, travel agencies, and other service providers. Consequently, official travel expenditure can function as a direct injection of public funds into regional economies. The initial expenditure may subsequently generate additional rounds of consumption when businesses use their revenues to pay employees, purchase supplies, and finance other operational activities. This process reflects the Keynesian multiplier mechanism, through which an initial increase in expenditure can produce a broader impact on economic output.

The magnitude of this multiplier depends on several factors, including the marginal propensity to consume, the availability of local suppliers, taxation, and the extent to which expenditure leaks outside the destination economy. Blanchard and Perotti (2002) demonstrate the importance of examining the macroeconomic effects of fiscal policy empirically rather than



assuming that all government spending produces identical outcomes. Similarly, Chodorow-Reich (2019) highlights that fiscal spending multipliers can vary across geographical areas and depend on the economic conditions under which expenditure occurs. These insights are relevant to Indonesia because the capacity of individual provinces to absorb official travel expenditure differs according to infrastructure, business density, and the structure of their service economies.

From a public finance perspective, official travel expenditure should therefore be evaluated not only according to administrative necessity and budget compliance but also according to its potential economic contribution. Nevertheless, economic benefits do not automatically justify unnecessary travel or inefficient spending. Fiscal effectiveness requires a balance between institutional objectives, expenditure accountability, and measurable economic outcomes.

Applied to the present study, Keynesian theory supports the hypothesis that official travel expenditure positively influences the Gross Regional Domestic Product (GRDP) of accommodation and food services and transportation. It also provides a theoretical explanation for the possible transmission of these sectoral effects to total regional GRDP. The theory thus establishes the conceptual relationship between government operational expenditure, regional service-sector activity, and aggregate economic performance.

Endogenous Growth Theory

Endogenous Growth Theory explains economic growth as a process influenced by factors operating within the economic system, including human capital, knowledge accumulation, technological progress, and institutional arrangements. Unlike models that treat long-term technological progress as an external factor, endogenous growth approaches emphasize that investment decisions, productive capabilities, and economic policies can influence the economy's long-run growth trajectory. Romer (1990) demonstrates how the accumulation of knowledge and technological development can generate sustained economic growth, while Lucas (1988) emphasizes the contribution of human capital accumulation to economic development.

In the context of central government official travel expenditure, this theory provides a broader perspective on the relationship between administrative mobility and regional economic development. Official travel is not exclusively a consumption activity; it may also facilitate policy coordination, professional development, supervision, intergovernmental cooperation, and the exchange of knowledge. When these activities improve institutional capacity and the



implementation of public programs, their benefits may extend beyond the immediate expenditure recorded during a trip. For example, coordination meetings or technical assignments may contribute to more effective project implementation, improved public service delivery, and better utilization of regional resources.

Barro (1990) explains that government services and productive public expenditure can influence economic growth, although their effects depend on the composition and efficiency of government spending. This distinction is particularly important because official travel expenditure does not necessarily create long-term productive capacity by itself. Its contribution depends on whether the activities financed generate useful administrative outcomes and whether the associated economic transactions support local production and employment. Travel undertaken for productive coordination may generate institutional benefits, whereas unnecessary travel may impose fiscal costs without equivalent economic returns.

Endogenous growth theory also highlights the importance of regional economic structures. Provinces with stronger transportation networks, more competitive hospitality industries, and greater business capacity may convert government expenditure into additional value added more effectively than regions with limited service-sector capacity. Therefore, the economic effects of official travel expenditure may vary according to infrastructure quality, workforce skills, and the ability of local businesses to respond to demand.

For the present research, this theory supports the examination of both immediate and broader economic effects. The direct relationship between official travel expenditure and sectoral GRDP captures the immediate demand generated by accommodation, food services, and transportation. The relationship between these sectoral outcomes and total GRDP reflects their contribution to the wider regional economy.

Endogenous Growth Theory consequently complements the fiscal expenditure perspective by distinguishing between short-term demand stimulation and longer-term improvements in productive capacity. It also suggests that the effectiveness of official travel budgets should be assessed through both economic indicators and the quality of the government activities being financed.

Tourism-Led Growth Hypothesis and Fiscal Multiplier Theory

The Tourism-Led Growth Hypothesis (TLGH) proposes that tourism-related activities can contribute to economic growth by stimulating expenditure, creating employment, encouraging



investment, and strengthening linkages among service industries. Balaguer and Cantavella-Jordá (2002) provided influential empirical evidence for examining the relationship between tourism development and economic growth. Subsequent reviews by Brida et al. (2016) and Alcalá-Ordóñez et al. (2024) demonstrate the continuing importance of this relationship while showing that empirical findings depend on the countries, variables, and analytical methods used.

Although official government travel is different from leisure tourism, both activities generate demand for transportation, accommodation, food services, and related businesses. This similarity provides a conceptual basis for examining official travel as a distinct form of institutionally financed mobility. Unlike conventional tourism, which is influenced substantially by household income, preferences, and discretionary spending, official travel is generally associated with government assignments and approved budget allocations. This characteristic may create a relatively predictable source of demand for regional service providers, although actual expenditure remains dependent on budget execution, administrative decisions, and economic circumstances.

The fiscal multiplier perspective complements TLGH by explaining how the initial expenditure may generate additional economic activity. When government employees purchase accommodation, meals, and transportation services, the initial spending becomes business revenue. Businesses may then use this revenue to pay workers, purchase local products, and expand service operations. These transactions can create indirect and induced economic effects beyond the initial expenditure. Chodorow-Reich (2019) demonstrates that regional fiscal spending multipliers are an important subject of empirical investigation, emphasizing the need to account for differences in local economic conditions.

However, the magnitude of the multiplier depends on the extent to which spending remains within the destination economy. If hotels purchase supplies from other regions or transportation services are provided by firms headquartered elsewhere, part of the expenditure may leak out of the local economy. Regional infrastructure, local supplier participation, and the competitiveness of small businesses therefore influence the distribution of economic benefits.

For the Indonesian study, the combined theoretical framework supports investigating whether official travel expenditure is positively associated with accommodation and food services GRDP, transportation GRDP, and total regional GRDP. It also provides a rationale for examining whether the accommodation and transportation sectors mediate the relationship between official travel expenditure and aggregate regional output.



The framework must nevertheless distinguish between the economic effects of ordinary tourism and those of government-funded mobility. The concept of bureaucracy-led growth can be introduced as a proposed analytical extension rather than an established independent theory. Its empirical validity requires testing whether official travel expenditure produces measurable regional economic benefits after accounting for other relevant factors, including tourist arrivals, capital expenditure, inflation, unemployment, and extraordinary economic disruptions.

DISCUSSION

Results of the Best Estimation Model Specification Test

Before conducting classical-assumption tests and hypothesis testing, a crucial step in panel-data regression is determining the best estimation-model specification. Three approaches can be used: the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM). The most appropriate model is selected through a series of statistical tests, namely the Chow, Hausman, and Lagrange Multiplier (LM) tests.

The first stage is the Chow Test, which compares the suitability of the CEM and FEM. The decision criterion is that if the probability value (p-value) of the cross-section F or Chi-Square statistic is below the 5% significance level, the null hypothesis (H_0) is rejected and FEM is considered more appropriate. Conversely, if the p-value is greater than 0.05, CEM is retained. If the Chow Test selects CEM, the next step is to compare it with REM using the Lagrange Multiplier (Breusch–Pagan) Test. Rejecting H_0 (p-value < 0.05) leads to the selection of REM, while accepting H_0 (p-value > 0.05) supports CEM. However, if the Chow Test selects FEM, the Hausman Test is used to compare FEM and REM. If the cross-section random p-value is below 0.05, H_0 is rejected and FEM is selected; if it exceeds 0.05, REM is recommended. The comprehensive tests on this panel dataset show that the probability values from the Chow and Hausman tests consistently lead to rejection of the null hypothesis. Therefore, the Fixed Effect Model (FEM) is the most robust and appropriate model for this study.

Results of Direct-Effect Hypothesis Testing on GRDP in the Consumption Sector

Before interpreting the hypothesis-testing results in greater depth, the suitability and reliability of the regression model were validated through a series of classical-assumption tests. The results confirm that the regression estimates satisfy the statistical criteria for a Best Linear Unbiased Estimator (BLUE). First, the normality test for residuals yielded a probability value of



0.318377. Because this value exceeds the 5% significance level, the normality assumption is considered satisfied. The model is also free from multicollinearity. Partial correlations among independent variables do not exceed the critical threshold of 0.80, indicating that the independent variables do not substantially overlap. The Durbin–Watson statistic is 1.8396, close to 2, indicating no material autocorrelation between observations. Finally, the homoskedasticity test produced a probability value above the 5% alpha level, indicating constant residual variance and no heteroskedasticity. These results support the statistical precision and validity of the estimated coefficients.

Regression analysis of the independent variables' effects on Gross Regional Domestic Product (GRDP) in the Consumption Sector produced results consistent with theoretical expectations. Overall, all independent variables tested have statistically significant effects at the 5% significance level (0.05). The regression equation is as follows:

$$Y_{1it} = 20.495 + 0.252 X_{it} + 0.085 Z_{1it} + 0.013 INF_{it} - 0.019 UT_{it} - 0.133 Covid_{it}$$

The first hypothesis (H1.1) demonstrates that Official Travel Expenditure has a positive and statistically significant effect on GRDP in the Consumption Sector, with a probability value of 0.000, below 0.05. The regression coefficient of 0.252 indicates positive elasticity: every 1% increase in official travel expenditure is associated with a 0.252% increase in consumption-sector GRDP, assuming other variables remain constant. The second hypothesis (H2.1) also confirms that the Number of Tourists (Z1) has a positive and significant effect (probability $0.000 < 0.05$). Its coefficient of 0.085 indicates that a 1% increase in tourist numbers contributes to 0.085% growth in consumption-sector GRDP.

The macroeconomic indicators show varying effects. The third hypothesis (H3.1) indicates that inflation has a positive and significant effect on consumption-sector GRDP, with a probability value of 0.000 and a regression coefficient of 0.013. This suggests that a 1% increase in inflation is accompanied by a 0.013% increase in consumption-sector GRDP. In contrast, the fourth hypothesis (H4.1) shows that the Open Unemployment Rate has a negative and significant effect (probability $0.000 < 0.05$). The coefficient of -0.019 indicates that every 1% increase in open unemployment reduces consumption-sector GRDP by 0.019%, reflecting the direct effect of weaker labor absorption on purchasing power.

The external-shock variable representing the pandemic (H5.1) confirms the sector's vulnerability to a public-health crisis. The test shows that COVID-19 significantly affects consumption-sector GRDP, with a probability value of 0.000 (< 0.05). The coefficient of -0.133



represents the difference between the pandemic period (dummy = 1) and normal conditions (dummy = 0). Specifically, consumption-sector GRDP during the COVID-19 pandemic was 12.48% lower than in the non-pandemic period.

Results of Direct-Effect Hypothesis Testing on GRDP in the Transportation Sector

Before interpreting the regression estimates, a series of classical-assumption tests was conducted to ensure that the model meets valid, robust, and unbiased econometric criteria (Best Linear Unbiased Estimator/BBLUE). The residual normality test produced a probability value of 0.288157, above the 5% significance level, confirming that the residuals are normally distributed. The multicollinearity test showed that all partial correlations among independent variables were below the critical threshold of 0.80, indicating no multicollinearity. The Durbin–Watson statistic was 1.798645, close to 2, suggesting that the model is free from autocorrelation. Finally, the homoskedasticity test produced a probability value above 5%, indicating constant residual variance and no heteroskedasticity. Collectively, these results support the model’s suitability for subsequent hypothesis testing.

The next stage of hypothesis testing focuses on the effects of independent and control variables on Gross Regional Domestic Product (GRDP) in the Transportation Sector. The regression equation is as follows:

$$Y_{2it} = 28.1871 + 0.0564X_{it} + 0.0030Z_{2it} + 0.0036INF_{it} - 0.0497UT_{it} - 0.1441Covid_{it}$$

Based on the regression estimates, the first hypothesis (H1.2), which states that Official Travel Expenditure affects transportation-sector GRDP, is accepted. The probability value is 0.0006, well below the 5% significance level ($\alpha = 0.05$). The positive regression coefficient of 0.0564 indicates that every 1% increase in official travel expenditure raises transportation-sector GRDP by 0.0564%. The second hypothesis (H2.2) confirms that Capital Expenditure also has a positive and statistically significant effect, with a probability value of 0.0021 (< 0.05). Its coefficient of 0.0030 means that a 1% increase in capital expenditure contributes to 0.0030% growth in transportation-sector GRDP.

The macroeconomic indicators display a different pattern. The third hypothesis (H3.2) shows that inflation does not have a statistically significant effect on transportation-sector GRDP, based on a probability value of 0.4374, which exceeds the 5% significance threshold. Conversely, the fourth hypothesis (H4.2) demonstrates that the Open Unemployment Rate has a negative and statistically significant effect (probability $0.020 < 0.05$). With a regression coefficient of



-0.0497, each 1% increase in open unemployment is associated with a 0.0497% decrease in transportation-sector GRDP. This finding reflects the relationship between labor-market weakness, reduced public mobility, and lower logistics flows.

The fifth hypothesis (H5.2) confirms the substantial impact of the external shock of the pandemic on transportation-sector resilience. The COVID-19 dummy variable has a negative and statistically significant effect on transportation-sector GRDP (probability $0.000 < 0.05$). The coefficient of -0.1441 measures the difference in sector performance between the pandemic and normal periods. Specifically, average transportation-sector GRDP during the pandemic was 13.42% lower than during the non-pandemic period, reflecting the severe effects of restrictions on the movement of people and goods.

Results of Direct-Effect Hypothesis Testing on Total GRDP

Before drawing conclusions from the regression estimates for the Total GRDP model, classical-assumption tests were conducted comprehensively to ensure that the specification meets statistical requirements and produces unbiased estimates (Best Linear Unbiased Estimator/BUE). The residual normality test produced a probability value of 0.148867, above the 5% significance level, so the normality assumption is satisfied. All partial correlations among independent variables were below the critical threshold of 0.80, indicating no multicollinearity. The Durbin-Watson statistic was 1.956184, close to 2, indicating no autocorrelation between observations. The homoskedasticity test also produced a probability value above 0.05, confirming constant residual variance and no heteroskedasticity. These results provide a sound statistical basis for testing direct effects on Total GRDP.

The final stage of hypothesis testing comprehensively analyzes the direct effects of independent, mediating, and control variables on the regional economy, represented by Total Gross Regional Domestic Product (Total GRDP). The regression equation is as follows:

$$Y_{it} = 13.1155 + 0.0803X_{it} + 0.2741Y1_{it} + 0.2231Y2_{it} + 0.1919Z1_{it} - 0.0046Z2_{it} - 0.0150INF_{it} + 0.0526UT_{it} + 0.1306Covid_{it}$$

Panel-data regression estimates indicate that the variables in this model have statistically significant effects on Total GRDP. The first hypothesis (H1.3) is accepted: Official Travel Expenditure (X) has a positive and significant effect on Total GRDP (probability $0.000 < 0.05$). The coefficient of 0.080271 indicates that every 1% increase in official travel expenditure contributes to a 0.0802% increase in Total GRDP. Both mediating variables also play important roles.



Consumption-sector GRDP (Y1) has a positive and statistically significant effect (probability $0.000 < 0.05$), with a coefficient of 0.274148, meaning that 1% growth in the consumption sector is associated with a 0.2741% increase in Total GRDP. Similarly, transportation-sector GRDP (Y2) has a positive and significant effect (probability $0.000 < 0.05$); a 1% increase in this sector is associated with a 0.2231% increase in Total GRDP. The external variable Number of Tourists (Z1) also has a positive and significant effect (probability $0.000 < 0.05$), with a 1% increase in tourist visits associated with a 0.1919% expansion in Total GRDP.

The macroeconomic and fiscal variables reveal an interesting pattern. The fifth hypothesis (H5.3) shows that Capital Expenditure (Z2) has a negative and significant effect on Total GRDP (probability $0.0019 < 0.05$). Its coefficient of -0.004589 indicates that a 1% increase in capital expenditure is associated with a 0.0045% reduction in Total GRDP in this model. Inflation (H6.3) also significantly reduces the economy (probability $0.0324 < 0.05$); a 1% increase in inflation reduces Total GRDP by 0.0150% (-0.015026). In contrast, the seventh hypothesis (H7.3) reveals a statistical anomaly: Open Unemployment has a positive and significant effect (probability $0.0000 < 0.05$). The coefficient of 0.052568 indicates that a 1% increase in open unemployment is mathematically associated with a 0.0525% increase in Total GRDP. Finally, the COVID-19 shock variable (H8.3) is statistically significant (probability $0.000 < 0.05$). Its dummy coefficient of 0.130632 indicates that average Total GRDP during the pandemic was 5.3974% higher than in the non-pandemic period.

DISCUSSION

Implications of the Direct Effect on Consumption-Sector GRDP

A detailed analysis of the empirical findings for the first relationship in the model reveals that Central Government Official Travel Expenditure is not merely a routine operating cost (a sunk cost), but can act as a lever for Gross Regional Domestic Product (GRDP) in the Consumption Sector. The positive and significant elasticity (coefficient 0.252) provides empirical evidence of the multiplier effect described by Keynesian Macroeconomic Theory. In this context, official travel budget allocations function as an exogenous stimulus that increases aggregate demand at the regional level. When state officials travel between regions, funds distributed through daily allowances, accommodation costs, and local consumption are directly received by tertiary-sector businesses, particularly accommodation and food-and-beverage providers. This flow of funds



triggers a circular flow of income that ultimately increases production capacity and value added in the regional consumption sector.

This phenomenon is consistent with the conceptual framework of the Tourism-Led Growth Hypothesis (TLGH) discussed by Aida et al. (2024), but offers a new perspective. Whereas conventional TLGH emphasizes ordinary tourists (whose effect is also positive, with a coefficient of 0.085), this study introduces government officials as drivers of “bureaucratic tourism.” Interestingly, the leverage of official travel (0.252) is more elastic than that of ordinary tourist visits (0.085). This can be explained by the rigid and structured nature of bureaucratic expenditure, which is guaranteed through the annual fiscal instrument of the State Budget (APBN), making it less sensitive to individual preferences and fluctuations in private purchasing power. This mechanism is consistent with Endogenous Growth Theory (Romer, 1990), which emphasizes that government fiscal intervention can strengthen local economic structures and resilience.

Regarding macroeconomic indicators, the relationships among variables reflect dynamics consistent with regional economic fundamentals. Inflation has a positive contribution (coefficient 0.013) to consumption-sector GRDP. Although this finding appears contradictory, it may reflect demand-pull inflation: a moderate increase in the prices of goods and services can indicate healthy economic growth driven by strong public demand and expanding consumption businesses. Conversely, open unemployment produces a significant dampening effect on this sector (coefficient -0.019). This negative relationship is consistent with Septiatin et al. (2016), who argue that weak labor absorption directly reduces household disposable income. Lower household liquidity consequently suppresses consumption in the hotel and culinary subsectors.

The resilience of the consumption sector to external shocks is also clearly reflected by the COVID-19 pandemic dummy variable. The average decline in consumption-sector GRDP of up to 12.48% during mobility restrictions demonstrates the sector’s strong dependence on physical interaction. The halt in movement by both ordinary tourists and government officials disrupted service-industry supply chains and reduced value added (Masbar, 2022). Overall, these findings indicate that official travel expenditure serves as a vital buffer: it supports expansion under stable conditions and can also help sustain regional economies when the general tourism sector weakens.

Implications of the Direct Effect on Transportation-Sector GRDP

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The second transmission pathway in the model confirms a close relationship between fiscal policy intervention and regional physical mobility. The econometric analysis shows that official travel expenditure represents a vital captive market for the transportation industry, as evidenced by its statistically significant positive elasticity of 0.0564. Official travel directly drives passenger and logistics services across air transport, railways, and local land transport. This effect occurs alongside capital expenditure (coefficient 0.0030), which also contributes positively. The finding is consistent with Kartiasih (2019): fixed-capital formation through physical infrastructure, such as roads, ports, and airports, provides the supply-side foundation for regional accessibility. While capital expenditure provides transportation capacity and facilities, official travel expenditure generates demand and helps optimize the use of that infrastructure.

At the macroeconomic level, the findings reveal an interesting statistical anomaly. Inflation does not have a statistically significant effect on transportation-sector GRDP (probability 0.4374). The sector's low sensitivity to inflation may be explained by the price inelasticity of government official travel. Increases in transport fares caused by inflation, including higher fuel or aviation-fuel prices, do not necessarily reduce the volume of official travel because such travel is an institutional duty and an essential operational requirement that is difficult to replace at short notice. By contrast, open unemployment has a clear negative effect: each 1% increase in unemployment is associated with a 0.0497% contraction in the transportation sector. This supports Septiatin et al. (2016), whose findings indicate that weak labor absorption erodes disposable income. When household purchasing power declines, households reduce secondary spending, including leisure travel and non-routine mobility, directly lowering public-transport load factors.

The transportation sector's sensitivity to physical-mobility restrictions is evident in the COVID-19 dummy variable. The average reduction in value added of 13.42% during the crisis reflects disruption caused by regional mobility restrictions under the large-scale social restrictions (PSBB) and community activity restrictions (PPKM) policies. Following Masbar (2022), transportation was among the sectors most severely affected because transport services are perishable and cannot be stored. Empty airline seats and bus seats during restrictions represent permanently lost economic potential. This relationship reinforces the importance of maintaining appropriate official travel budget allocations. When general tourism stagnates because of external shocks, institutionally mandated mobility financed by the State Budget can act as a countercyclical instrument to sustain the national transportation industry.



Implications of the Direct Effect on Total GRDP

The econometric results for the final model portray a dynamic macroeconomic structure in which Total Gross Regional Domestic Product (GRDP) is jointly influenced by bureaucratic mobility, sectoral performance, and policy instruments. Statistical tests show that Official Travel Expenditure (coefficient 0.0802) and the Number of Tourists (coefficient 0.1919) act as important liquidity injections that increase Total GRDP. This finding supports the Tourism-Led Growth Hypothesis (TLGH) while extending its scope to bureaucratic activity. The movement of government officials and ordinary tourists stimulates economic activity, which is subsequently transmitted through the accommodation, food-and-beverage, and transportation sectors. The positive and significant effects of these two sectors on Total GRDP demonstrate their role as transmission channels for fiscal and mobility-related demand.

Nevertheless, the analysis of long-term fiscal variables reveals an apparently contradictory result: Capital Expenditure has a negative and significant effect on Total GRDP (coefficient -0.0045). Theoretically, this may be explained by the time lag or gestation period associated with investment in physical assets. As Kartiasih (2019) notes, large allocations for public facilities in the current year (t) may produce crowding-out effects without generating immediate economic output. The benefits of capital expenditure may only translate into GRDP growth several years after physical projects have been completed ($t+n$). Thus, in the short term, the expenditure may not yet produce measurable growth in regional output.

Among the macroeconomic indicators, inflation reduces real economic output, with a coefficient of -0.0150 . High inflation undermines price stability, lowers real purchasing power, and suppresses domestic aggregate demand. On the other hand, the model identifies a distinctive structural condition in which the Open Unemployment Rate is positively correlated with Total GRDP (coefficient 0.0525). This statistical result may indicate a shift toward jobless growth. The increase in Total GRDP may be driven more by capital-intensive industries and the digital sector, which can generate output growth without proportionate increases in labor absorption.

The most important finding is the observed resilience of the economy during the COVID-19 pandemic. Unlike the decline in transportation and consumption-sector performance, the pandemic dummy records average Total GRDP performance that is 5.3974% higher. This may reflect the direct impact of the government's countercyclical policies. Allocations under the



National Economic Recovery Program (PEN)—including social assistance, wage subsidies, and credit restructuring—helped support household purchasing power. At the same time, the health crisis accelerated growth in supporting sectors, such as telecommunications, e-commerce, and digital services, which helped maintain aggregate economic activity.

CONCLUSION

This study empirically demonstrates that bureaucratic mobility through official travel expenditure is not merely an administrative and consumptive activity; it functions as an important liquidity injection that helps sustain the resilience of GRDP in the Consumption and Transportation sectors. Together with spending by ordinary tourists, this bureaucratic expenditure activates the Keynesian multiplier effect and increases regional Total GRDP. The structural model also explains several features of Indonesia's regional macroeconomy. It identifies a short-term dampening effect of capital expenditure that may be associated with the time lag before capital investments are converted into productive assets and economic output.

Theoretically, this study offers a novel contribution by extending the Tourism-Led Growth Hypothesis (TLGH) through the introduction of the Bureaucracy-Led Growth approach. This concept emphasizes that government officials' mobility can provide an alternative source of demand for the tourism industry during external shocks. Practically, the findings provide strategic input for fiscal authorities and the Directorate General of Treasury. Policies that reduce official travel ceilings in the name of budget efficiency should be reassessed in light of their potential effects on local economic ecosystems, including hotels, micro, small, and medium enterprises (MSMEs), and logistics businesses. Official travel expenditure should therefore be managed not only as an administrative cost but also as a potential instrument for supporting regional economic distribution, while maintaining accountability and spending efficiency.

Although this econometric framework is reliable at the provincial aggregate level, the use of secondary-data regression limits observation of impacts at the micro level. Future research is therefore encouraged to adopt a mixed-methods approach. Combining district/city-level econometric analysis with phenomenological qualitative research would provide a more precise picture of how government spending generates added value for local MSMEs. Expanding the research context to include digital transformation variables, such as transaction values on government marketplaces or Digipay, would also enrich the evaluation model for the economic impact of fiscal policy.



FUTURE DIRECTIONS

Future research should further investigate the economic effects of central government official travel expenditure by expanding the analytical framework, geographical coverage, and observation period to capture differences in regional economic structures and long-term development patterns across Indonesia. Researchers could employ dynamic panel data models, spatial econometric approaches, or regional input-output analysis to identify direct, indirect, and induced effects of official travel expenditure on accommodation, food services, transportation, employment, and household income. Further studies should also examine the mediating roles of accommodation and transportation sectors and investigate whether the magnitude of these effects varies between urban and rural regions, developed and less-developed provinces, and periods of economic stability and crisis. In addition, future analyses should distinguish between budget allocations and actual expenditure realization to provide a more accurate assessment of fiscal transmission mechanisms. Incorporating variables such as local government expenditure, infrastructure quality, business density, domestic tourism, regional fiscal capacity, and private investment may improve the explanatory power of empirical models. From a public finance perspective, future research should assess not only the contribution of official travel expenditure to regional Gross Domestic Product (GRDP) but also its efficiency, accountability, distributional effects, and cost-effectiveness in achieving government objectives. Comparative studies across provinces and government institutions could further identify best practices for allocating official travel budgets to regions where local businesses can benefit more directly from public expenditure. Ultimately, future research should develop an evidence-based framework for integrating fiscal efficiency with regional economic development, ensuring that official travel expenditure remains necessary, accountable, and strategically aligned with equitable and sustainable economic growth in Indonesia.

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