

## THE EFFECT OF CONSUMPTION, EXPORT AND IMPORT ON NORTH SUMATRA REGIONAL ECONOMIC GROWTH

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### ABSTRACT

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Economic growth is one indicator as a measure of the progress of economic development in a country or region. Economic growth is defined as the development of activities in the economy that causes goods and services produced in the community to increase and the prosperity of the community to increase. This study aims to determine the effect of consumption, exports and imports on the regional economic growth of North Sumatra. This study uses secondary data obtained directly from the Central Statistics Agency and related agencies or agencies. The analysis used is descriptive quantitative with multiple linear analysis model. In this study using Eviews 8.0 as an estimation tool. The results of the research conducted indicate that consumption has a negative and significant effect on economic growth in North Sumatra with a significance value of 0.0000 which is smaller than the 5% significance level. Exports have a positive and significant effect on economic growth in North Sumatra with a significance value of 0.0000 which is smaller than the 5% significance level. Imports have no effect on economic growth in North Sumatra with a significance value of 0.8300 which is greater than the 5% significance level, and consumption, exports and imports have a significant effect on economic growth in North Sumatra. Then there is a relationship between consumption, exports and imports with economic growth of 78.9% and another 21.1% is explained by other factors not mentioned in this model.

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### 1. INTRODUCTION

Every country must have a goal in economic development, including Indonesia. Economic development is an effort to increase the real per capita standard of living. So the purpose of economic development is to increase real national income as well as to increase productivity[1]. In achieving economic development, there are three macro indicators that are used as a measure of development progress. These indicators are the growth rate, the level of job creation (Employment) and price stability (Price Stability). Every country, especially developing countries, with various policies such as fiscal policy, monetary policy, and trade policy, both domestic and international trade, economic development is carried out to encourage economic growth, create jobs, and maintain price stability.[2], [3].

North Sumatra is one of the largest provinces in Indonesia and has abundant potential resources. North Sumatra's economic growth from the 1-10 period on average reached 5.83 percent. North Sumatra's economic growth decreased from period to period, except in periods 4 (6.63%) and 9 (5.18%). North Sumatra's economic performance in period 9 compared to period 10 experienced a decline in economic growth from 5.18% to 5.12%. This tends to be influenced by changes in household consumption, investment, exports, imports and so on. The condition of a person's income will affect the level of consumption. The higher the income, the more the number of goods consumed[4]. Keynes argued that the main factor that determines consumption is income. The higher the income, the more the number of goods consumed and this will cause economic growth to increase. And at very low income levels, consumption will exceed income and consumption that exceeds income will be financed from past savings. Consumption

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expenditure is also influenced by interest rates, wealth, and durable goods. This interest rate has an important influence on savings which will ultimately affect consumption [5], [6].

Consumption growth has progressed well, while exports and imports have experienced erratic developments, sometimes there are increases and decreases [7]. However, it turns out that consumption growth which is quite large has not been able to encourage economic growth, an increase in consumption development means that there has been an increase in economic growth. On the other hand, if consumption development decreases, economic growth will also decrease. In fact, consumption has increased, but economic growth has decreased. Likewise, high export and import growth does not guarantee high economic growth either [8], [9].

## **2. METHOD**

### **2.1 Research Approach**

This type of research is a quantitative research. The quantitative approach is an approach that emphasizes testing theories or hypotheses through measuring research variables in numbers and analyzing data using static procedures and systematic modeling.

### **2.2 Research Location and Time**

The research location is the place where the researcher conducts research, namely in North Sumatra. This study is an empirical study in which data on research variables were obtained from the Central Statistics Agency of North Sumatra through the official website [www.sumut.bps.go.id](http://www.sumut.bps.go.id).

### **2.3 Types and Sources of Research Data**

The type of data used in this study is secondary data in the form of monthly time series with a period of 1-10 which is quantitative in nature, namely data in the form of numbers and the data source is obtained from data that has been published by the Central Statistics Agency (BPS) of North Sumatra through the website. [www.sumut.bps.go.id](http://www.sumut.bps.go.id) and other supporting data obtained from journals, books and previous research.

### **2.4 Population and Sample**

Population is all objects to be studied, or it can be said as a generalization area consisting of subjects/objects that have certain qualities and characteristics determined by the researcher to be studied and then drawn conclusions. While the sample is part of the number and characteristics of the population. The population in this study is the overall data on consumption, export and import, and economic growth for the period 1-10 from the Central Statistics Agency. While the sample is the data mentioned above in the period 1-10 the monthly interpolation data becomes 120 samples.

### **2.5 Data collection technique**

Data collection techniques are methods or methods used to collect data. The method refers to a way of collecting data so that it can be shown whether its use is through questionnaires, interviews, observations, tests, documentation and so on. Based on data collection techniques, this research is a quantitative research using data documentation in the form of numbers obtained from the official website of BPS North Sumatra.

### **2.6 Data analysis method**

The data analysis method is a simplification process in a process that is easier to read and interpret. The method chosen in data analysis must be in accordance with the research pattern of the variables studied. The analytical method used in this research is multiple linear regression analysis method. To analyze the effect of consumption, exports and imports on economic growth in North Sumatra, data processing is carried out using the Ordinary Least Square (OLS) model of analysis. The OLS method is used to obtain estimates in analyzing the effect of independent variables on the dependent variable [10], [11].

## **3. RELUST AND DISCUSSION**

### **3.1 North Sumatra Economic Growth**

Economic growth is defined as the development of activities in the economy that causes goods and services produced in the community to increase and the prosperity of the community to increase. Their economic growth is an indication of the success of economic development. The following can be seen the development of economic growth in North Sumatra.

Period	North Sumatra Economic Growth %
1	6.39

2	5.07
3	6.42
4	6.63
4	6.15
5	6.07
6	5.23
7	5,10
8	5.18
9	5,12

It can be seen from the table above. The economic growth rate of North Sumatra Province has experienced ups and downs from period to period. In period 1 the economic growth rate of North Sumatra Province was 6.39%, then in period 2 it decreased to 5.07%. Period 3 the economic growth rate of North Sumatra Province increased again by 6.42%. In period 4 the economic growth rate of North Sumatra Province increased to 6.63%, then in period 5 decreased to 6.45%. And period 6 to period 8 the rate of economic growth continued to decline from 6.07% in period 6, 5.23% in period 7 and 5.10% in period 8, this decline was due to negative growth in several economic sectors. In period 9 the economic growth rate of North Sumatra Province increased again to 5,

### 3.2 Consumption Development of North Sumatra

Household consumption varies from one another due to different incomes and needs. Household consumption expenditure is the total market value of goods and services purchased by households during a period. Household consumption expenditure consists of two main components, namely expenditure on non-consumption or durable goods. And spending on the consumption of goods and services that are not durable. The following can be seen the development of household consumption in North Sumatra Province for the period:

Table 2. Development of Household Consumption of North Sumatra Province

Period	Household Consumption (Billion Rupiah)	Growth rate(%)
1	153.177.7	8.72
2	165.006.5	7.72
3	178,332.3	8.15
4	186,197.9	6.61
5	195,133.2	6.03
6	204.963.0	5.04
7	215,765.1	5.27
8	225,907.5	4.70
9	237,147.4	4.98
10	249,298.2	5,12

Based on the table above, it can be seen that the increase in household consumption expenditure in the province of North Sumatra in general from period 1 to 10 has increased from period to period, but if you look at the growth rate of household consumption expenditure, it seems to fluctuate with an average of 6.23%. The highest growth occurred in period 1, namely 8.72%. In period 2 it decreased by 7.72% and increased again in period 3 and continued to decrease from period 4 to 6, namely 6.61%, in period 4 6.03% in period 5, and 5.04% and period 6. And it increased again in period 7 by 5.27% and decreased again by 4.70% in period 8. In the next period it increased again, namely 4.98% in period 9 and 5.12% in period 10. This shows that consumption tends to increase in line with the increase in people's purchasing power in that period, as well as an increase in the number of residents each period and the increase in household consumption is also caused by increased consumption on religious holidays or traditions carried out by the community each period. In addition to the number of people who increase each period and the consumption of holidays which are the factors driving the increase in consumption, income is very influential on the increase in consumption.

### 3.3 North Sumatra Export Development

International trade plays an important role in the context of creating a country's economic growth. Export is the most important part of international trade. Exports are one of the sources of foreign exchange

that are urgently needed by countries or regions whose economies are open, because exports widely to various countries allow an increase in the amount of production that encourages economic growth so that it is expected to make a large contribution to the growth and stability of its economy. The following can be seen the export development of North Sumatra province.

Table 3. Export Development of North Sumatra Period 1-10

Period	Export (Billion Rupiah)	Growth rate(%)
1	122,585.8	10.39
2	99,961.2	-0.95
3	133920.4	10.29
4	168676.0	15.01
5	188447.5	12.03
6	179430.9	-5.30
7	191872.6	7.51
8	189484.6	-1.05
9	194929.5	2.68
10	207288.0	6.34

It can be seen from the table above, North Sumatra Province exports show quite varied values. Judging from the rate of exports to GRDP for the period 1 to 10, it seems to be fluctuating, in period 1 export growth was 10.39% then period 2 decreased very much, namely -0.95% and increased in the next period 10.29% in period 3, 15.01% in period 4. And experienced a decrease of 12.30% in period 5, -5.30% in period 6 and growth experienced an increase and decrease in the next period, namely 7.51% in period 7, -1.05% in period 8, 2.68% in period 9 and increased in period 10 by 6.34%. The value of exports is strongly influenced by the exchange rate of the Rupiah against the Dollar and the volatility of export commodity prices in the international market.

### 3.4 North Sumatra Import Development

International trade plays an important role in the context of creating a country's economic growth. Imports are an important part of international trade. Import activities are carried out to meet the needs of the people.

Table 4. Import Development of North Sumatra Period 1-10

Period	Import (Billion Rupiah)	Growth rate(%)
1	104,561.8	17.59
2	107.085.9	2.56
3	122.546.5	14.44
4	142.512.6	16.71
5	161,698.6	13.56
6	145.391.5	-10.09
7	156.672,1	7.76
8	150.274.4	-4.08
9	146,923.8	-2.23
10	156701.5	6.65

It can be seen from the table above that imports from North Sumatra province show quite varied values. Imports experienced a fluctuating growth rate, with an average growth of 6.29%. The highest import growth occurred in period 1, which was 17.59%. The rate of growth of imports also experienced a minus growth, namely in period 5 of -10.09%, in period 8 of -4.08%, in period 9 of -2.23% and in period 10 of imports increased by 6.65%. Developments in import transactions indicate a stronger dependence on the economy and products of other countries.

### 3.5 The effect of consumption on economic growth

The results of the regression analysis obtained a significance of 0.0000 which is smaller than  $\alpha = 0.05$ . This means that the consumption variable has a significant effect on the economic growth of North Sumatra. The consumption regression coefficient is -1.520064 with a negative sign stating that every Rp 1 billion increase in total consumption will reduce economic growth in North Sumatra by 1.520064%. Household consumption expenditure is the value of spending made by households to buy various types of needs in a certain period.

### 3.6 The effect of exports on economic growth

The results of the regression analysis obtained a significance of 0.0000 which is smaller than  $\alpha = 0.05$ . This means that the export variable has a significant effect on the economic growth of North Sumatra. The export regression coefficient is 0.780128 with a positive sign stating that every Rp 1 billion increase in total exports will increase economic growth in North Sumatra by 0.780128%. Export transactions describe various goods and services that are not consumed in the domestic economy, but are consumed by foreign parties, either directly or indirectly.

### 3.7 The effect of imports on economic growth

The results of the regression analysis obtained a significance of 0.8300 greater than  $\alpha = 0.05$ . This means that the import variable has no effect on economic growth in North Sumatra. Import is the process of buying foreign goods or services from one country to another.

### 3.8 Effect of consumption, exports and imports on economic growth

In the regression results, the variables of consumption, exports and imports on economic growth in North Sumatra show a significance value of 0.000000 which means that simultaneously or together the variables of consumption, exports and imports have a significant effect on regional economic growth in North Sumatra for the period 1-10

## 4. CONCLUSION

Based on the results of the analysis of research data on the effect of consumption, exports and imports on regional economic growth in North Sumatra, it can be concluded that, consumption has a negative effect on economic growth in North Sumatra. Exports have a positive effect on the economic growth of North Sumatra. This is indicated by the value of the investment coefficient of 0.780128. Imports have no effect on economic growth in North Sumatra.

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