

The Role of Public Expenditures in Economic Growth at Provincial Level: Empirical Study in Vietnam

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Abstract

The literature analyzes the relationship between public expenditures and GDP growth in localities of Vietnam. The research sample includes data on public expenditures and GDP of 63 provinces/cities of Vietnam during the period 2013 - 2015. The results of the research by backward regression method have confirmed the orthodromically directly proportional relationship between components of public expenditure, but not the total public expenditure, and GDP growth in provinces/cities of Vietnam. Specifically, public expenditure on development investment and the one on social and economic services contribute significantly and positively to the economic development of localities. On this basis, we propose some relevant recommendations to state agencies in establishing constitution for cutting down expenditures; strengthening estimate, public debt management performance; as well as measures to attract investment to contribute to fulfilling the tasks of industrialization, modernization in the era of global integration today.

Keywords: public expenditures, economic growth, economic, Vietnam, provincial level

1. Introduction

Government policy on public expenditures plays an extremely important role in boosting economic growth through the structural change of state budget balancing revenues and expenditures. Patricia and Izuchukwu (2013) demonstrate that when the economy falls into recession, increased government spending will stimulate an increase in the aggregate demand, thus helping to gradually rehabilitate the economy. Public expenditures are motivation for boosting economic growth by contributing to the increase in productive capacity and gross product of the local economy, particularly in the case of proper orientation in important economic sectors). Nevertheless, increased budget expenditures will also result in inflation and deficit of government budget, thereby exerting negative effect on the economic development process. Financial resources are one of the essential factors for the comprehensive and sustainable development of the country. However, the question of management, expenditures and distribution of the budget in a balanced, efficient manner in order to achieve economic growth during each period is not a simple task to do (Su Dinh Thanh, 2012).

According to the data of the General Statistics Office of Vietnam, public expenditures in Vietnam have continuously been increasing and making up a large proportion in GDP over the past 20 years. This can partly be accounted for by the supplementary ODA flows when Vietnam restores its relations with the community of international investors, thus contributing considerably to the budget for public expenditures of the government. If in 2000 and 2015 public expenditures accounted for 23.36% and 29.79%, then in Thailand, these rates were restricted only to 15.83% and 20.07% respectively (ADB, 2007). Along with the increase in public expenditures, there have always been changes in the economic growth rates of localities in Vietnam. Therefore, a question posed here is whether the increased public expenditures really contribute to speeding up economic growth or not? Or on the contrary, it is economic growth that results in bigger and bigger public expenditures? And whether public expenditures in Vietnam are actually efficient or not?

From the practical need above, the author has selected "The role of public expenditures in economic growth at provincial level: empirical study in Vietnam" as the subject of his study. The focus of the study is on seeking and analyzing empirical proofs of the effect of public expenditures of GDP in localities of Vietnam. Based on the results of his analyses, assessments, the author proposes recommendations and solutions in order to improve the budget spending performance, to reduce loss, deficit and inefficient use of budget expenditure, from that to boost

sustainable GDP growth in localities of Vietnam in time to come.

2. Theoretical Framework

2.1 Theoretical Bases for the Relationship between Public Expenditures and GDP

Public expenditures are expenditures by State agencies, administrative management units or non-productive agencies under the control and sponsorship of the Government. Apart from state budget balancing expenditures, public expenditures basically represent the Government spending as adopted by the National Assembly. Public expenditures represent the value of the goods the Government buys to supply public goods to society in order to perform the State's functions (Pham The Anh 2008). In the economy, public expenditure activities of State agencies impact upon Gross Domestic Product (GDP) through interactions with the private sector such as in developing infrastructure, eliminating or regulating external factors so as to speed up economic activities and improve the distribution of resources. In the world, there have been numerous models of economic theories that study the relationship between public expenditures and economic growth, but studies as such yield contradictory results or cannot explain clearly the effects of this relationship. Most studies are carried out on a national scale; this issue in localities is still a subject being left open; no or very few studies specifically focusing on the situations, characteristics of the local level.

The previous studies chiefly indicated the negative intervention of macroeconomy policies on economic growth. In the late 1970s, Keynesian economics channeled their effort into answering the question "What role government plays in economic growth?" (Gujarati, 2003). Accordingly, their study results showed that public expenditures - particularly the expenditures through Government borrowing & debts may impact on GDP by stimulating the aggregate demand of the economy. Irrespective of the reasonable causes provided by the Keynesian theory of spending, its biggest limitation is to ignore the impact of tax and borrowing & debts while these are two extremely essential factors that directly reduce the purchasing power or the aggregate demand of the economy. Especially when the global economic crisis occurred in 1970, the Keynesian theory revealed its not completely correct points, as interest rate during this period, only owing to cutting down public expenditures and reducing tax could the global economy escape from the crisis and began to show signs of recovery in the 1980s.

Kiskanen (2007) announced his study results, in which the author opined that civil servants in the public sector tended to avail themselves of the budget to achieve their own benefits. As a result, public expenditures grew bigger and bigger but public goods were insufficient to meet the social demand, namely public expenditures did not impact on the GDP of localities. Till 1986, economist Richard Rahn described the relationship between government spending and economic growth in a graph known as Rahn curb. This curb shows that if public expenditures are moderate and completely distributed to the basic goods such as infrastructure, legal protection, ownership..., then economic growth and GDP will achieve the maximum. On the contrary, when government spending exceeds the necessary threshold, it will hinder economic growth and the distribution of resources will be less efficient.

The study by Barro (1990) was one of the first studies of optimal point of public investment. According to him, the impact of public investment on economic growth undergoes three stages and in an upside-down U shape. Accordingly, the level of public investment to point A (while public investment is still low) will increase private investment profit, private savings ratio and growth rate. After point A, the negative impact of higher tax will compensate for the more positive impact of capital on profit for private investment and the further increase of private investment and reduction of savings ratio between A and B, increase in public investment will continue to speed up economic growth as public investment still yields high productivity. After that is point B, public investment yields lower productivity and increases savings ratio, together with reduction in growth rate.

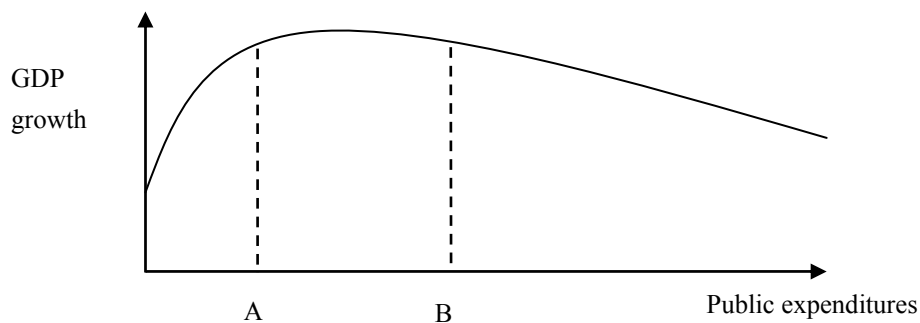


Figure 1: Model of influence of public investment periods

Source: Barro (1990)

2.2 Empirical Studies of the Relationship between Public Expenditures and Economic Growth

The contributions in theoretical aspects in the late 1980s to the relationship between public expenditures and GDP helped stimulate a huge amount of empirical analyses of economic growth to be carried out. Neoclassical models had empirical proofs to support once allowing for other important factors for economic growth, for example, capital, science and technology, etc. Empirical studies were conducted basing on complex methodologies, in which special importance was attached to throwing light on the issues omitted and not studied previously. Along with cross data regression analysis, fragment data and time series regression methods were also widely applied, in which surveys of the relationship between public expenditures and GDP also yielded different results.

Some studies assumed that economic growth and public expenditures and taxation have positive relationships such as those by Barro (1989, 1991), Hansson and Henrekson (1994) ... Others observed that they do not have negative relationships. In addition, the study by Saleh Masan (2015) considered that public expenditures grow at the same time with economic growth, speed up economic growth, and indicate the positive correlation coefficient between the components of public expenditures towards the GDP of a sample of 36 developing countries at the rate of 0.53 on average. For developed industrial countries (G7), the average correlation coefficient is inconsiderable, this means that fiscal policy does not impact on economic growth. However, empirical studies have recently only focused on the two directions of positive and negative effects of public expenditures on the GDP of localities, specifically:

- Increased norms of public expenditures with positive effect on GDP

David Alan Aschauer (2000), based on his study conducted in 1989, brought out novelties in the relationship between economic growth and public investment. The author still defined the relationship between these two factors as a nonlinear relationship, public capital supplemented to private capital, realized the positive and statistically significant effect of public investment and pinpointed the optimal point for public investment in economic growth. Notwithstanding the more optimistic results than that of the previous studies, it was still very difficult to draw any firm conclusion from this proof.

Till 2011, researcher Dandan tested the effect of government spending on economic growth in Jordan during the period 1990 - 2006 by applying different regression models. The author's study also showed that public expenditures have positive effect on the economic growth and GDP in Jordan. Also in 2011, Mpatswe conducted a test on the financial cycle in 6 African countries during the period 1980 - 2008 by employing equations with delayed variables that represent long-term values and regressing the first differences. The findings showed that the total public expenditures were characterized by their drastic cocyclic nature despite the different cyclic coefficients among countries, in which public investment is the component that reacts excessively to economic growth for its elasticity is greater than 1.

Stepping into 2012, a series of well-known studies of the relationship between public expenditures and GDP were conducted in many countries over the world. Typically, the study by Al-Bataineh (2012) tested the relationship between public expenditures and GDP growth in Jordan during the period 1990 - 2010 by employing time series data. The study showed that the total public expenditures had positive effect on the economic growth at a general level but the government's payment did not have any effect on this issue in this country. Along with the subject and time of the study above, Al-Qaisi (2012) also studied the effect of the overall spending on the

changes in the economy in Jordan during the period 1970 - 2009 by applying linear models. As a result, among the total financial resources, normal expenditures and gross domestic product, there exist positive relationships. Also in 2012, Al-Mazrouei and Nejme tested the effect of public expenditures on the gross domestic product in the United Arab Emirates (UAE) around the period 1990 - 2009 by establishing three regression models. And as expected, the findings of regression analysis indicated that public expenditures have positive effect on the gross domestic product of these emirates. In Turkey, Yilgör et al. (2012) also studied the effect of public expenditures on economic growth during the period 1980 - 2010, and the findings thereof also indicated the one-dimensional effect of the total spending, normal expenditures and transfer expenditures of the government on the economic growth of this country.

By succeeding and selecting the previous studies, Musaba et al. (2013) studied the effect of the government spending on the GDP growth in Malawi with the use of time series data during the period 1980 - 2007. The short-term findings did not show any relationship between these two factors, while in the long term, the government spending in agriculture and national defense had positive effect on economic growth, whereas expenditures for education, healthcare, society and transportation had negative effect on this. In addition, in order to find the effect of public expenditures on economic growth in Nigeria during the period 1990 - 2011, Torruam et al. (2014) employed the cointegration analysis method, time series data and the results showed that public expenditures have positive effect on education and GDP growth of this country. And most recently, Abu - Eideih (2015) conducted a survey of the interactions between public expenditures and GDP growth in Palestine from 1994 to 2013 and the results thereof showed the long-term interactions between public expenditures and economic growth.

➤ Increased norms of public expenditures with negative effect on GDP

Besides the empirical studies showing the positive relationship between public expenditures and GDP, there have also been numerous practical experiments indicating many countries being under the negative effect of public expenditures, particularly in developed countries.

Experimental works in recent three decades have demonstrated that great public expenditures result in negative effect to economic growth. Also according to this theory, that governments increase their size compared with the market sector will gradually decrease profitability of the economy. In succeeding the ideology and seasoning of the previous studies, Gavin and Perotti (1997) explored government spending of Latin American countries and arrived at the conclusion that governments tend to spend more at times of good economic growth and usually curtail when there are bad changes in the economy.

In the subsequent years, surveys of government spending behaviour in the booming period of goods price cycle in 32 oil exporting countries during the period 1992 - 2009 were conducted by Arezki and Ismail (2013) showed that public expenditures of these countries were performed in a rigid manner, and usually increased at times of good economic growth while capital expenditures tended to be on the contrary. In the same way, Mohammadi and Maleki (2012) studied the effects of government spending on economic development of the member countries of the Economic Cooperation Organization (ECO) during the period 1995 - 2009. The results showed that government spending had statistically negative effects on economic development, meanwhile, public expenditures in respect of education and national defense had positive effects on the economic growth of these countries. The cause of this was partly due to the difference in the size and quality of public investment capacity and performance. It was this that overshadowed the basic relationship of capacity in the public sector and in the private sector.

Olabisi and Funlayo (2012) surveyed the relationship between the components of public expenditures and the economic growth of Nigeria during the period 1960 - 2008 and the results thereof showed that public expenditures for education yielded negative results to economic growth, as these expenditures resulted in a high rate of housing lease and an increase in the unemployment rate. In succeeding this result, in 2014, Olulu et al. also studied the experimental relationship between public expenditures and economic growth in Nigeria during the period 1980 - 2010. Accordingly, this study result also shows the antidromic relationship between government spending and GDP growth, that is to say when the state reduces norms of public expenditures, the national economy will be further developed, thus enabling its further GDP growth.

3. Methodology

In order to evaluate accurately the impacts of the factors of public expenditures on the economic growth of Vietnam, the subject employs two main research methods: primary data study and regression analysis.

For the primary data study method, the documents in use involved books, newspapers, course-books of

universities, scientific research projects by home and foreign economists, articles from electronic magazines, etc. The aim of this method is to collect, summarize information on theories and acquire knowledge about the actual quantitative model of the factors of public expenditures for the gross domestic product (GDP) growth.

With a view to further providing proofs for explanations, the author employs the regression analyses method with three independent variables in collection including (i) total public expenditures, (ii) total public expenditure on development investment; and (iii) total public expenditure on social and economic services of 63 provinces, cities of Vietnam during the period 2013 – 2015. We treat and eliminate the year-observations that lack information; the final sample includes 245 year-observations. As to these data types, we convert to the logarithm type in the estimate form so as to avoid dislocation effects on unit of measurement.

The regression equation includes the following three independent variables:

$$Y = a_0 + a_1 \lg PE + a_2 \lg PE_DI + a_3 \lg PE_SES + \varepsilon$$

Where:

Y: GDP growth

a_0, a_1, a_2, a_3 : Coefficients to estimate;

lgPE: logarithm of total public expenditure of Vietnam provinces and cities during 2013 – 2015;

lgPE_DI: logarithm of public expenditure on development investment of Vietnam provinces and cities during 2013 – 2015;

lgPE_SES: logarithm of public expenditure on social and economic services Vietnam provinces and cities during 2013 – 2015.

ε : error term.

Table 1. Descriptive statistics

	N	Minimum	Maximum	Mean	Std. Deviation
GDP growth (%)	182	-11	113	8	9
Total public expenditure (billion VND)	182	5,346	11,565,373	84,586	860,203
Public expenditure on development investment (billion VND)	182	405	27,619	2,983	4,005
Public expenditure on social and economic services (billion VND)	182	383	35,967	6,270	4,802
Valid N (listwise)	182				

4. Research Results

4.1 Analysis of Statistics Data

On the whole, the level of public expenditures and GDP value of the 10 localities with the highest GDP rates in Vietnam over the past 3 years tended to increase, at the top up to 124,192 billion dong of Ho Chi Minh City between 2013 and 2015. At present, Ho Chi Minh and Hanoi are the two leading cities in the group of 10 provinces, cities with the highest GDP growth rates throughout the country and public expenditures at the highest level 71,716 billion dong in 2014 of Ho Chi Minh City and 88,862 billion dong in 2015 of Hanoi. Next come Ba Ria - Vung Tau, Binh Duong, Dong Nai, Haiphong, etc. Among the 10 provinces, Kien Giang is the one with public expenditures at the lowest level, merely 11,831.68 billion dong in 2014 and 11,934.44 billion dong in 2015. However, GDP of this province is not as low as the norms set, with 86,039.26 billion dong in 2014 and 94,064.61 billion dong (increased by 9.3%) in 2015. From the data collected, we can see the effects of public expenditures on the GDP growth rates in localities can be clearly represented through the changes in the statistical data.

Basically, public expenditures in localities are directly proportional to GDP growth rates; or in other words, that the State increases norms of public expenditures has positive effects on the increase in local GDP. In the period 2013 - 2015, Vietnam made remarkable economic achievements at stable growth rates. Also with that

momentum for development, Binh Duong Province spent a total of 51,343.4 billion dong on socio-economic development and investment activities: 14,212.10 billion dong in 2013; 18,399.60 (increased by 29.46%) in 2014 and 18,731.70 billion dong in 2015 (increased by 2% against that in 2014). Along with the increase in this norm, GDP value of Binh Duong Province rose considerably, from 161,645 billion in 2013 to 179,541 billion in 2014, by 17,299 billion (11.07%), and 9% more at the end of 2015, bringing GDP of Binh Duong Province to 196,840 billion dong. One more demonstration of the positive effects of public expenditures on the GDP growth rates in Thanh Hoa Province's economic development was between 2013 and 2015, the province's public expenditures increased by 11%, from 37,200 to 107,405.19 billion dong. It was this increase that helped push up the province's GDP sharply, from 84,293.4 billion in 2013 to 107,405.19 billion dong, by 27.4% at the end of 2015.

Nonetheless, besides the general tendency with regard to the relationship between public expenditures and GDP growth, characterized by their own economic development and strategies, in some localities, the level of public expenditures is inversely proportional to the GDP growth rates, that means the local GDP value goes up when the localities reduce their norms of public expenditures. In 2013, Danang City spent a total of 17,112.34 billion while its GDP reduced to only 51,911 billion. Or in 2014, instead of increasing the norms, the city tightened its fiscal policy and restricted expenditures to 15,972.61 billion. However, as a result, Danang's GDP was 14.1% higher than that in 2013, with 96,185.35 billion dong. The similar result was repeated in 2015 when Danang continued reducing its public expenditures down to 14,572.78 (8.7% against that in 2014) and yielded 63,327 billion of GDP, an increase by 9.5% compared with that in 2014. This can be accounted for by the fact that the State's increase in budget expenditures will result in a rise in inflation and a deficit of the Government's budget, thereby restricting invertibility from that private sector and giving rise to negative effects on the economic development and the whole local GDP decline.

In some major cities, such as Hanoi, Ho Chi Minh City, Haiphong... the level of public expenditures through the years also changes but still basically achieves GDP growth rates higher and higher with every passing year due to the increase in public expenditures in the State's budget. The above-mentioned data indicate that the economy of Vietnam in general and of localities in particular has been marked with successes in economic growth during the periods of difficulties. However, the increase in GDP value at present is revealing a lot of limitations, particularly when many changes take place in the world's economy. The discrepancy in public expenditures in localities is to concentrate too much on investment in economy, whereas investment in the social areas directly related to human development (science, education, training, health, social relief, culture, sport...) is very low and tends to decrease gradually for the time being. On the other hand, despite the considerably high level of expenditures for economic investment and development, the performance and quality brought about are low and the GDP growth rates not as expected. Thinly spread norms, unreasonable spending structure, poor performance in using investment capital resources and aid are the problems that should be solved immediately in the coming time to guarantee economic development.

4.2 Regression Results

The results of regression analyses by the backward regression method are shown in the table below. In the last model 2, independent variable lgPE (total public expenditure) is eliminated from the model; only the two remaining variables lgPE_DI (Public expenditure on development investment) and lgPE_SES (Public expenditure on social and economic services) are retained and have considerable effects on the dependent variable, namely economic growth rate.

Table 2. Regression results

Variable	Coefficients		t	(Sig.)	Collinearity Statistics	
	B	Std. Error			Tolerance	VIF
Model 1	R = 0.349 R ² = 0.122		Adjusted R Square = 0.107			
(Constant)	1.971	1.840	1.072	0.285		
lgPE	0.178	0.180	0.986	0.326	0.692	1.446
lgPE_DI	0.451	0.184	2.442	0.016	0.687	1.456
lgPE_SES	0.374	0.245	1.530	0.128	0.658	1.519
Model 2	R = 0.342 R ² = 0.117		Adjusted R Square = 0.107			
	Std. Error of the Estimate: 1.598		F = 11.858		p = 0.000	

(Constant)	2.551	1.743	1.464	0.145		
lgPE_DI	0.502**	0.177	2.840	0.005	0.747	1.338
lgPE_SES	2.840*	0.230	1.993	0.048	0.747	1.338

* $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$

Specifically, that coefficient B of investment and development independent variable in both models has a positive value in the confidence level of 95% ($B = 0.502$; $p = 0.005$) permits us to confirm the supposition that expenditures for investment and development contributes considerably to provincial GDP value. This result agrees with the previous studies by affirming that when localities increase the level of expenditures for investment and development the economy will tend to develop. On the other hand, it should be determined that expenditures for investment and development are very important motivation for the process of renovating and improving level of production, labour productivity - the important factors for speeding up economic growth of a province in general and the GDP value of that province in particular. For that reason, any change in the level of expenditures for investment and development of a locality will have effects on the GDP value of that locality.

That independent variable of expenditures for socio-economic development with coefficient $B = 2.840$ in model 2 and $p = 0.048$ with confidence level of 95% affirms expenditures for socio-economic development contributes considerably to provincial GDP value of any locality. In combination with Ahshahrani and Alsadiq (2014), it can be stressed that expenditures for socio-economic development bring in positive results for economic growth in general and contribute considerably to GDP growth rate, helping localities improve economic quality as well as deal with discrepancies in society such as unemployment, education and health problems, laying firm foundation for the sustainable development of any locality and of the country as a whole.

However, data compensations have shown that expenditures for investment and development have stronger effects on GDP than expenditures for socio-economic development, as presented in the fact that coefficient B of expenditures for investment and development is usually greater than expenditures for socio-economic development. This definition is extremely significant in helping localities determine their own reasonable expenditure structures. Accordingly, provinces should identify clearly and accurately weights in their budget expenditure activities towards prioritizing concentration of resources on investment and development activities in order to create a step buffer to make great advances of socioeconomic development in the future.

On the whole, the regression analysis model brings the findings related to the level and direction of effects as well as contribution of public expenditures to the GDP of a locality in Vietnam. According to which, any increase in the budget expenditure rate impacts on and contributes considerably to the economic growth of localities in general and of that locality in particular. This can be explained by: First, as our country's infrastructure systems are still rather poor and backward compared with the world, increasing investment expenditures will help improve the quality of infrastructure and science, engineering and technology establishments, thus enabling Vietnam to narrow the gaps with countries in the region and over the world. This will not only help improve production quality, unceasingly increase product values but also attract home and abroad investors to invest in localities, thus increasing contributions to the local GDP. Second, expenditures for socio-economic development will help localities resolve the existing basic discrepancies, particularly labour problem, one of the important factors in production and development activities. In addition, economically and socially stabilizing will help people feel secure about working so as to improve their life quality, increase product demand speed up the process of manufacturing and consuming products in localities.

5. Implications of the Results

Considering the role and effects of public expenditures on the local GDP growth rate, the author makes some recommendations in order to improve the performance of the process of public expenditures of State agencies, thus helping speed up the GDP growth rates of localities and of the whole country as well.

Firstly, the State should improve the regulations, institutions related to public expenditures activities and norms towards clearly defining principles of fundamental construction capital distribution; distributing capital by work and implementation schedule, keeping new debts from deriving. At the same time, when using medium and long term budget, consider carefully and calculate in detail funding schedule, spending plan for each year, using economic performance as foundation. Besides, localities should improve the performance of budget estimates in order to increase proactivity in managing budget, increase the rate of normal expenditures in such areas as education and training, State management so as to lay firm foundation for the development process.

Secondly, the Government should issue policies to continue pushing up economic structure transformation towards improving the performance and competitive capacity of economic sectors; concentrating on intensive instead of extensive economic growth; at the same time, applying scientific and technical progress; replacing manual labour of low quality; exploiting high quality human resources and advanced human resource management skills; developing intellectual economy in order to gradually improve economic growth quality; creating new momentum for an economy to grow stably and sustainably.

Thirdly, the State pushes up public expenditures reform towards redistributing reasonably State Budget such as mobilizing properly State Budget revenues to minimize the phenomena of enterprises, individuals committing tax fraud/evasion; strengthening outstanding tax debt settlement; distributing reasonably budget expenditures such as normal expenditures, budget debt payment.

Fourthly, encourages investment of the public sector in order to reduce the burden of investment on the State Budget. Accordingly, localities should only concentrate their investment in a planned and comprehensive manner on some key, essential areas. At the same time works out programs, policies to attract investment from the public sector to public works such as hospitals, schools, roads through public and private co-operation projects.

Fifthly, along with attracting home investors, State agencies should also expand internal co-operation with countries in the region and over the world to take advantage of investment from economic organizations and governments of these countries and to learn about their experiences in managing public expenditures, which can serve as ground for activities of formulating and implementing regulations, policies on public expenditures in localities of Vietnam.

6. Concluding Remarks

The literature analyzes the actual situation of public expenditures and GDP value to concentrate on underlining the role, effects of public expenditures on GDP of localities in Vietnam today. Experimental studies have been carried out in 63 provinces and cities; the relationship between GDP growth and 3 independent variables constitutes the total public expenditures, total expenditures for investment and development and total expenditures for socio-economic development of localities through the statistical data from 2011 up to now.

The study findings show that the total public expenditures, particularly the two factors of expenditures for investment and development and expenditures for socio-economic development have positive effects on the economic growth in general and contribute considerably to the increase in the GDP growth rates. This can be accounted for by the fact that our country's infrastructure systems are still poor and backward compared with the world. Increased public expenditures will help improve the quality of infrastructure, engineering and technology, enabling Vietnam to narrow the gap with the countries in the region for economic development, at the same time to help localities resolve the existing basic discrepancies, particularly labour problem, one of the important factors in production and development activities.

The author places special emphasis on the role and effects of expenditures for investment and development on the GDP growth rates of localities and of the whole country as well. From his analyses, the author makes recommendations and solutions in relation with improving the quality of public expenditures of locality, such as improving the regulations, institutions and encouraging investment from the public sector in order to reduce the burden on the State budget, pushing up spending reform or speeding up economic structure transformation... Accordingly, State agencies should take in a thorough, comprehensive manner measures to help increase the GDP growth rates of localities as well as of the country in the shortest time as possible.

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