



Analysis of the Effect of Private Investment on Economic Growth in Palu City

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ARTICLE INFO

ABSTRACT

Article history:

Received: Dec 10, 2022 Revised:
Jan 29, 2022 Accepted: Feb 30,
2022

Keywords:

Economic Growth,
Direct Spending,
Regression

The economy experienced a period of negative growth means economic activity in this period has decreased. Palu-year period 2011-2021 economic growth fluctuations. These fluctuations can be influenced by private investment, Economic growth is one measure of the success of economic development in an area. Economic growth reflects economic activity. Economic growth can be positive and can also be negative. If the economy experienced a period of positive growth means economic activity during the period has increased. Whereas if years 2011-2021 are sourced from the Central Statistics Agency of North Sulawesi Province and Palu. The analytical method used is an econometric model single-log regression (log-log) with Ordinary Least Square (OLS). This study aims to determine whether the development of private investment affects the economic growth of the city of Palu. The data used using time series data period. The results of the regression model of economic growth with the regression equation is $LPDRB = LINV 0.445$. From these results show the development of private investment, direct expenditure and population positive and significant impact on economic growth of Palu.

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1. Introduction

Economic development is a multidimensional process that includes various fundamental changes to social structures, attitudes of society and national institutions, in addition to continuing to pursue accelerated economic growth, handling income inequality and poverty alleviation (Todaro Michael & Smith, 2008) (PETRO, 2015) (Iqbal, n.d.). The economic development includes various forming aspects such as economic, social, political and others where these aspects synergize with each other to achieve successful development both at the central and regional levels. Therefore, the participation of both the community and the government is needed in achieving these goals. Regional economic development as an integral part of national economic development has a very important role in realizing the achievement of national goals. Regional economic development is defined as a process in which local governments and their communities manage existing resources and form a partnership pattern between local governments and the private sector to create new jobs and stimulate the development of economic activities in the area (Arsyad, 1999) (Tumangkeng, 2018) (Siwu, 2019). As the goal of national development. Regional development also aims to improve the welfare of the community. In order to improve people's welfare, it is necessary to increase economic growth and equitable distribution of income (Aprianto, 2017) (Jafar, 2017) (Yuliani, 2015). Economic growth is one of the benchmarks for the success of economic development in a region. Economic growth shows the extent to which economic activity will generate additional income for the community in a certain period. The economy is considered to be experiencing growth if all real remuneration for the use of production factors in a certain year is greater than the real income of the community in the previous year. One of the indicators used to measure the economic growth of a region in a certain period is the growth rate of real Gross Regional Domestic Product (GRDP) (Dama, 2016) (Pangiuk, 2018) (Sunusi, 2014). Economic growth reflects economic activity. Economic growth can be positive or negative. If in a period the economy



experiences positive growth, it means that economic activity in that period has increased. Meanwhile, if in a period the economy experiences negative growth, it means that economic activity in that period has decreased. Regional development is an integral part of national development which is carried out based on the principle of regional autonomy and regulation of national resources which provides opportunities for increasing democracy and regional performance to improve people's welfare towards a civil society free of collusion, corruption and nepotism. The implementation of regional government as a state sub-system is intended to increase the efficiency and results for the administration of government and public services. As an autonomous region, the Regency/City acts as a “motor” while the Provincial government as the coordinator has the authority and responsibility to organize the interests of the community based on the principles of openness, community participation and accountability to the community. The development in Palu City has taken place in a comprehensive and sustainable manner, which has improved the community's economy. The achievement of development results cannot be separated from the joint efforts of the government and the community.

In a development, it is certain that growth is expected. To achieve these targets, facilities and infrastructure are needed, especially adequate financial support. This is where the role of investment has a fairly important scope because it is in accordance with its function as a supporter of development and growth while the aim is to support the implementation of national development in order to increase equitable distribution of economic growth and national stability towards improving people's welfare. Investments accumulate capital accumulation by building a number of buildings and equipment that are useful for productive activities, so the potential output of a region will increase and long-term economic growth will also increase. Palu City, which is known as an industrial city, its economy is very dependent on the industrial sector. both the trade industry and the tourism industry as well as other industries. Investment in Palu City consists of domestic investment and investment from abroad (PMDN and PMA). The development of private investment both domestically and abroad in Palu City. From the explanation above, the author is interested in studying the extent of the influence of private investment on the economic growth of Palu City in 2011-2021

2. Method

2.1 Types of research

This type of research is quantitative descriptive with the variables used are economic growth at constant prices in 2011-2021 in percentage (%) and private investment in 2011-2021 in percentage (%). The research location is in Palu City.

2.2 Data Types and Sources

The data used in this study is secondary data with the type of time series data for the period 2011-2021, sourced from the Central Statistics Agency (BPS) of Palu City and the Central Statistics Agency (BPS) of Central Sulawesi Province.

2.3 Variable Operational Definition

In order to equalize perceptions about the research variables used and to avoid differences in interpretation, the authors provide operational definitions as follows:

- a. Gross Regional Domestic Product (GRDP) is the total value added of goods and services by various economic sectors in an area within a certain time (Rupiah/year). The GRDP data used is Palu City GRDP at constant prices. Constant price GRDP shows the added value of goods and services calculated using 2000 prices as the base year. GRDP at constant prices is used to show the overall economic growth rate from year to year. GRDP data is issued by the Central Statistics Agency (BPS) and is expressed in rupiah.
- b. Private Investment (INV) is the value of both foreign and domestic investments made by investors in Palu City from 2011 to 2021 in rupiah.

2.4 Data analysis technique

In this research, the data analysis technique that will be used is simple linear regression analysis. Simple linear regression analysis aims to see whether there is an effect of spending on education on economic growth in Central Sulawesi Province and to predict the value of the variable government spending in education if the value of the variable economic growth increases or decreases. The data used are usually

interval or ratio scale data. To analyze the effect of government spending on education on economic growth in Central Sulawesi Province, the formula (Basuki & Prawoto, 2017) (Basuki, 2015):

$$Y = + bX$$

Information:

- Y = Economic Growth
- X = Capital Expenditure
- and b = Constant

For To analyze the data into the simple regression, SPSS 25.0 (Statistic Programming for Social Science) was used. Then the results from SPSS will be a tool for tabulating the data. The correlation coefficient is used to determine the strength of the influence of the dependent variable with the independent variable. The greater the value of R, the more precise the regression model used, because the total variation can explain the dependent variable. The coefficient of determination is intended to determine the best level of accuracy in regression analysis where it is indicated by the magnitude of the coefficient of determination (R²) between 0 (zero) and 1 (one). The t-test is to determine whether the regression coefficient of the independent variable has an influence or not on the dependent variable.

3. Results and Discussion

3.1 Result

a. Simple Linear Regression Analysis Results

According to the results of Simple Linear Regression analysis using the computer-assisted statistical program SPSS For Wind Release 25.0, the essence of the research results is obtained in connection with the alleged influence of the independent variable (private investment) on the dependent variable (economic growth) in Palu City for the period 2011-2021, formulated in Table 1 below:

TABLE 1
SIMPLE LINEAR REGRESSION CALCULATION RESULTS

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.445	.685		.344	.000
Private Investment	.136	.018	.350	2.095	.015
<i>multipleR</i>	= 0.670		F-count	=	6.554
<i>R-Squared(R2)</i>	= 0.684		Sig-F	=	0.001

a. Dependent Variable: Economic Growth

Based on the results of simple linear regression analysis in Table 1 above, if converted in this study, the regression equation can be made as follows:

$$Y = 0.445 + 0.136 X$$

The simple linear regression equation above shows that the analyzed private investment has a positive and significant effect on the economic growth of Palu City, with the following description:

- 1). The constant value in the simple linear regression equation above is 0.445, meaning that the economic growth of Palu City for the 2011-2021 period before this research was carried out was 0.445 percent.
- 2). The regression coefficient value of the private investment variable (X) is 0.136, meaning that if private investment is increased by 1% it will have a positive effect on increasing economic growth in Palu City for the 2011-2021 period by 0.136 or 13.6 percent.

In the context of this study for the regression coefficient values mentioned above, the author uses the B value in the Unstandardized Coefficients column, with the reason that Unstandardized Coefficients is used in the regression model where its function is to predict the future picture with past data and the B value in the Unstandardized Coefficients column. is a value that reflects the direction of influence of the independent variable (X) on the dependent variable (Y) or the value of B in the Unstandardized Coefficients column is a value that reflects the elasticity of the independent variable (X) to the dependent variable (Y).



1). Multiple R (Correlation Coefficient)

Multiple R analysis is used to determine the strength of the relationship simultaneously between the independent variables and the dependent variable. In this study, multiple R was used to determine how big the close relationship (correlation) between the private investment variable (X) and economic growth (Y) in Palu City for the 2011-2021 period.

The results of data processing using SPSS for windows release 22.0 show a correlation (correlation) between the private investment variable (X) on economic growth (Y) in Palu City for the 2011-2021 period which is shown in the Summary model is 0.670. This value shows the close relationship (correlation) of the private investment variable (X) to economic growth (Y) in Palu City for the 2011-2021 period is 67.0 percent.

According to Sugiyono (2012:214), it can be concluded that the close relationship between private investment (X) and economic growth (Y) in Palu City for the 2011-2021 period is in the category of having a moderate relationship. This means that there is a significant relationship between the private investment variable and the economic growth variable in Palu City for the 2011-2021 period.

2). Coefficient of Determination (R-Square)

The coefficient of determination is a quantity that shows the effect of the private investment variable (X) on economic growth (Y) in Palu City for the 2011-2021 period in percentage units. The results of the research data analysis showed that the magnitude of the influence of the independent variables in the study was indicated by the value of the multiple determinant coefficient (R-Square) of 0.684 or 68.4 percent.

This value shows the magnitude of the influence of the private investment variable on the economic growth variable in Palu City for the 2011-2021 period of 68.4 percent, while the rest is the influence of other variables not examined in the context of this study.

In the context of this study, for the value of the reliability of the research model or the value of the coefficient of determination, the author uses the R-Square value for the reason that the number of independent variables (X) included in the model is only one variable. Many researchers prefer to use the R-Square value when evaluating which simple regression model is the best from the effect of variable X on variable Y.

b. Research Hypothesis Testing Results

The t-test was used to find out partially the independent variables had a significant or no effect on the dependent variable (Priyatno, 2012). To partially determine the effect of private investment (X) on economic growth (Y) in Palu City in 2011-2021, the test was carried out using the 2-sided method or the significance level of $\alpha/2 = 0.05$.

Through the test results using the t-test, it can be seen that the t-count value for the private investment variable (X) is 2.095 with the Sig-t value for the private investment variable (X) of $0.015 < 0.05$. This means that there is a positive and significant influence between the private investment variable (X) on economic growth in Palu City in 2011-2021.

3.1 Discussion

Based on The results of the study show that private investment has a significant effect with a positive direction, meaning that if private investment increases, economic growth in Palu City in 2011-2021 will also increase. With the condition of private investment, it shows that Palu City continues to try to improve itself to improve the quality of development by involving the private sector both foreign and domestic in investing their capital in various business sectors so that economic growth in Palu City can grow and develop well in line with other regions in Palu province Central Sulawesi. For this reason, the Palu City Government provides an opportunity for the private sector to participate in handling development projects that are in contact with the public interest so that there is an acceleration of development that leads to community welfare.

Variable Private investment significantly affects the economic growth of Palu City, this result shows the suitability of Meier's theory in Winarti (2014) which states that a nation must increase investment to achieve development (Winarti & Purwanti, 2014). The results of this study have similarities with the research of Sja'fii (2009), where the private investment variable has a positive and significant effect on economic growth (Sja'fii, 2009). This illustrates that there is indeed a relationship between changes in the state capital



expenditure budget to Indonesia's GRDP, not only a positive relationship where over time the nominal state capital expenditure budget and Indonesia's GRDP both have a positive trend.

4. Conclusion

Based on the results of data analysis and discussion, it can be concluded that private investment has a significant effect with a positive direction, meaning that if private investment increases, economic growth in Palu City in 2011-2021 will also increase.

Suggestion, Given the limited budget available, local governments cannot fully rely on development from the results of APBD funding, so that local governments must also encourage the creation of private investment so that regions can attract investors to increase private investment in Palu City, local governments must be able to create regulations that make it easier for investors to invest in this area. This can be done, for example, by developing clear local regulations on investment, facilitating investment, providing clear and accurate information about investment opportunities, and providing a conducive climate for private investment such as security guarantees.

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