



# Analysis of the effects of city economic growth in South Sulawesi

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## ABSTRACT

Determining the center of growth in a region has a very important role in determining the direction of policies and regulations for the central and regional governments in carrying out regional development. Determination of growth centers has a function for equitable distribution of development in all regions, facilitating coordination between regions and maximizing the management of existing potential and natural resources. This study aims to determine the effect of government spending, investment and city economic growth to the surrounding districts through the city's economic growth. This study used Path Analysis with the software used, AMOS, to perform data processing and analysis. The results of this study indicate that there is no effect of government spending in three cities, namely the cities of Makassar, Parepare and Palopo to the surrounding districts indirectly through the city's economic growth and there is investment effect from the city of Makassar to the surrounding districts indirectly through the economic growth of the city of Makassar.

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## 1. INTRODUCTION

Growth (*growth pole*) can be interpreted in two ways, namely functionally and geographically (Lasuén, 1973). Functionally, a growth center is a location for concentration of business groups or industrial branches which, due to the nature of their relationship, have dynamic elements so that they are able to stimulate economic life both internally and externally (Amin, 2004; Bahasoan et al., 2019; Carlsson & Stankiewicz, 1991; Young et al., 1994). Determining the center of growth in a region has a very important role in determining the direction of policies and regulations for the central and regional governments in carrying out regional development (Muta'ali et al., 2018; Priyadi & Atmadji, 2017; Soares et al., 2015). Determination of growth centers has a function for equitable distribution of development in all regions, facilitating coordination between regions and maximizing the management of existing potential and natural resources. Population

growth in the metropolitan area has increased significantly (Prihatin, 2015; Wijaya, 2015). South Sulawesi is the largest province in the Eastern Indonesia region and in the past was the capital city of the State of East Indonesia. This caused the rate of population growth in South Sulawesi to increase and then the rate decreased in the next phase (Harmadi, 2008; Mahyuddin, 2021; Parkissing et al., 2020).

This caused the population growth rate of South Sulawesi to increase, which then decreased in the following phase, because in the following phase the population growth rate rapidly moved to the capital city areas, namely Makassar, Gowa, Maros, Takalar and several other urban areas that were causing sub-urbanization, namely the process of forming new settlements as well as industrial areas on the outskirts of urban areas, especially as a result of the movement of urban residents who need places to live and for industrial activities (Mahyuddin, 2021; Parkissing et al., 2020).

If seen from BPS (2021), the value of economic growth in the city of Palopo is lower than the economic growth in North Luwu district, which is known to be a neighbor of the city of Palopo. The same thing can be seen in the city of Parepare where economic growth is lower than Sidrap district. From these data it has been proven that urban areas have not been able to provide spreads effect on the surrounding area. One of the causes for the emergence of various urban problems is the lack of interaction in regional development in the space between urban areas (core areas) and hinterland districts which are still not going well. Another thing shows the lack of interaction between one region and another which causes problems of spatial interaction between districts/cities in South Sulawesi. Utilization of the development of urban areas (metropolitan) is urgently needed in supporting the spread of urban potential to other areas so that it requires direction for regional development through spatial interactions between districts-cities or what is commonly referred to as metropolitan (Adipka, 2018; Pratama, 2021; Rustiadi, 2018).

The gaps that occur between regions will affect economic growth between regions of South Sulawesi (Azizah et al., 2022; Elpisah et al., 2021; Surya et al., 2020). Disparities occur between the city of Makassar as a growth center and its *hinterland areas as well as between the* hinterland regencies/cities themselves. The government of South Sulawesi has established regional marketing and management to jointly drive the regional economic progress. This is done to encourage more effective inter-regional cooperation. It is necessary to study the potential of each district/city in the South Sulawesi region and the linkages between economic sectors and inter-regional linkages so that it is expected to encourage regional economic growth (Martono, 2008; Parera, 2018). Economic linkage basically describes the relationship between the economy of a region and its surrounding environment and agglomeration externalities are seen as important determining factors in the geographical concentration of economic activity in urban areas. Intersectoral linkages (linkages between companies in the same sector) and intersectoral linkages are a way to view agglomeration externalities, both triggered by inputs (suppliers) and outputs (customers) (Tambunan, 2011, 2021; Wardani & Yudhistira, 2020).

In regional development, investment also plays an important role in driving economic growth (Arini & Kusuma, 2019; Kurniawan, 2022; Nujum & Rahman, 2019; Parkissing et al., 2020). Investment is an investment made to generate additional funds in the future. Investment can encourage the development of the people's economy through technology development and processing the potential economy into a real economic power by using funds originating from both domestic and foreign sources and having an impact on people's

welfare due to the opening of jobs and the distribution of people's income so that the regional economy increases. Economic development and growth can be seen from the value of South Sulawesi's Gross Regional Domestic Product (GDP) at constant prices in a given year compared to the previous year's value. Through presidential regulation (Perpres) No. 55 of 2011, the metropolitan area in South Sulawesi Province, namely Mamminasata , which includes the city of Makassar, Maros and Sungguminasa districts (Gowa district) and several urban areas in South Sulawesi is expected to become a pilot project for spatial development. in Indonesia, especially in Eastern Indonesia. In other words, for the four existing districts/cities, it is hoped that there will be economic synergy so that they are able to encourage other regions around them (Kurniawan, 2022; Parkissing et al., 2020). Society is only the object of development alone without receiving developments in the direction of meaningful progress. Development policies that are too top- down have also resulted in local governments not being able to do much. Therefore, in an effort to increase the effectiveness of community empowerment, it is necessary to have an optimal strategy of cooperation between the center and the regions. Seeing the description of the background above , the researcher is interested in further in-depth research by taking the research title " *Effect Analysis of Urban Economic Growth in South Sulawesi*

## 2. RESEARCH METHOD

This research uses a quantitative descriptive approach. According to Azwar (2009) descriptive research is a study conducted to take the steps of collecting, classifying and analyzing or processing data, making conclusions and reports with the main objective of making an objective description of a situation in a description. Researchers use *Path Analysis* with the software used, namely AMOS to perform data processing and analysis. The use of SEM in this study is because SEM is considered more accurate, where researchers not only know the relationship between variables, but also know the components that make up the variables and know their magnitude. The estimation model in this study is as follows.

$$Z = f(X_1, X_2, X_3) \quad (1)$$

$$Y_1 = f(Z) \quad (2)$$

$$Y_2 = f(Z) \quad (3)$$

where :

Z= urban economic growth

$Y_1$ = economic growth of surrounding districts

$Y_2$ = economic growth of surrounding districts

$X_1$ = government spending

$X_2$ = investment

$X_3$ = previous year's city economic growth (lag-1)

Based on the functional relationship in equations (1), (2), and (3), non-linearly it can be stated as follows:

$$e^Z = \alpha_0 X_1^{\alpha_1} X_2^{\alpha_2} X_3^{\alpha_3} e^\varepsilon \quad (4)$$

$$e^{Y_1} = \delta_0 Z^{\beta_1} \quad (5)$$

$$e^{Y_2} = \theta_0 Z^{\beta_2} \quad (6)$$

Based on equations (2) and (3), linearly it can be stated as follows:

$$\ln Z = \alpha_0 + \alpha_1 \ln X_1 + \alpha_2 \ln X_2 + \alpha_3 \ln X_3 + \varepsilon \quad (7)$$

$$\ln \ln Y_1 = \delta_0 + \beta_1 \ln Z \quad (8)$$

$$\ln Y_2 = \theta_0 + \beta_2 \ln Z \quad (9)$$

where :

$\alpha_1; \alpha_2; \alpha_3$  = structural coefficient showing the influence of  $X_1, X_2,$  and  $X_3$  on Z

$\beta_1; \beta_2$  = structural coefficients showing the influence of Z on  $Y_1$  and  $Y_2$   
 $\alpha_0; \delta_0; \theta_0$  = constant  
 $\varepsilon$  = error term or disturbance that is not explained by exogenous variables.

Next, equation (7) is substituted into equation (8) to obtain equation (9) as follows

$$\begin{aligned} \ln \ln Y_1 &= \delta_0 + \beta_1(\alpha_0 + \alpha_1 \ln X_1 + \alpha_2 \ln X_2 + \alpha_3 \ln X_3 + \varepsilon) \\ &= \delta_0 + \beta_1 \alpha_0 + \beta_1 \alpha_1 \ln X_1 + \beta_1 \alpha_2 \ln X_2 + \beta_1 \alpha_3 \ln X_3 + \beta_1 \varepsilon \\ &= \delta_0 + \sigma_1 + \gamma_1 \ln X_1 + \gamma_2 \ln X_2 + \gamma_3 \ln X_3 + \pi \end{aligned} \quad (10)$$

Then equation (7) is substituted into equation (9) so that the following equation is obtained.

$$\begin{aligned} \ln \ln Y_2 &= \theta_0 + \beta_2(\alpha_0 + \alpha_1 \ln X_1 + \alpha_2 \ln X_2 + \alpha_3 \ln X_3 + \varepsilon) \\ &= \theta_0 + \beta_2 \alpha_0 + \beta_2 \alpha_1 \ln X_1 + \beta_2 \alpha_2 \ln X_2 + \beta_2 \alpha_3 \ln X_3 + \beta_2 \varepsilon \\ &= \theta_0 + \sigma_2 + \tau_1 \ln X_1 + \tau_2 \ln X_2 + \tau_3 \ln X_3 + \omega \end{aligned} \quad (11)$$

### 3. RESULTS AND DISCUSSIONS

#### Estimation Results of Structural Equation Model Analysis

Parepare City with Sidrap Regency and Barru Regency, and Palopo City with Tana Toraja Regency and North Luwu Regency, an equation model analysis was carried out. structural. The analysis estimates that there is interaction between regions seen from city government spending, investment, and the city's economic growth in the previous year on the economic growth of the surrounding area through the city's economic growth. So that the endogenous variables are the city's economic growth (Z) and the economic growth of the two surrounding areas ( $Y_1$  and  $Y_2$ ), while the exogenous variables are government spending ( $X_1$ ), investment ( $X_2$ ), and the city's economic growth the previous year ( $X_3$ ).

Table 2. Estimated results of interaction between Makassar City (Z) and Gowa Regency ( $Y_1$ ) and Maros Regency ( $Y_2$ )

Influence between Variables	Coefficient	Standard Error	t-statistics	probability	Information
$X_1 \rightarrow Z$	-0.017	0.027	-0.617	0.537	Not significant
$X_2 \rightarrow Z$	0.040	0.019	2,130	0.033	Significant
$X_3 \rightarrow Z$	0.842	0.060	14,053	0.000	Significant
$Z \rightarrow Y_1$	1,272	0.084	15.155	0.000	Significant
$Z \rightarrow Y_2$	0.972	0.021	46,046	0.000	Significant
$X_1 \rightarrow Z \rightarrow Y_1$	-0.022	-	-	-	Not significant
$X_2 \rightarrow Z \rightarrow Y_1$	0.051	-	-	-	Significant
$X_3 \rightarrow Z \rightarrow Y_1$	1,071	-	-	-	Significant
$X_1 \rightarrow Z \rightarrow Y_2$	-0.016	-	-	-	Not significant
$X_2 \rightarrow X \rightarrow Y_2$	0.039	-	-	-	Significant
$X_3 \rightarrow Z \rightarrow Y_2$	0.818	-	-	-	Significant

\*) Significant at  $\alpha = 5\%$

Note : Results of data processing using Amos

Table 3. Estimated Results of Interaction between Parepare City (Z) and Sidrap Regency ( $Y_1$ ) and Barru Regency ( $Y_2$ )

Influence between Variables	Coefficient	Standard Error	t-statistics	probability	Information
$X_1 \rightarrow Z$	-0.021	0.015	-1.419	0.156	Not significant
$X_2 \rightarrow Z$	0.035	0.022	1,552	0.121	Not significant
$X_3 \rightarrow Z$	0.861	0.062	13,936	0.000	Significant
$Z \rightarrow Y_1$	0.827	0.021	39,941	0.000	Significant

Z → Y <sub>2</sub>	0.281	0.449	0.627	0.531	Not significant
X <sub>1</sub> → Z → Y <sub>1</sub>	-0.018	-	-	-	Not significant
X <sub>2</sub> → Z → Y <sub>1</sub>	0.029	-	-	-	Not significant
X <sub>3</sub> → Z → Y <sub>1</sub>	0.712	-	-	-	Significant
X <sub>1</sub> → Z → Y <sub>2</sub>	-0.006	-	-	-	Not significant
X <sub>2</sub> → Z → Y <sub>2</sub>	0.010	-	-	-	Not significant
X <sub>3</sub> → Z → Y <sub>2</sub>	0.242	-	-	-	Not significant

\*) Significant at  $\alpha = 5\%$

Note : Results of data processing using Amos

Table 4. Estimated Results of Interaction between Palopo City (Z) and Tana Toraja Regency (Y1) and North Luwu Regency (Y2)

Influence between Variables	Coefficient	Standard Error	t-statistics	probability	Information
X <sub>1</sub> → Z	-0.009	0.020	-0.446	0.656	Not significant
X <sub>2</sub> → Z	0.300	0.060	5,023	0.000	Significant
X <sub>3</sub> → Z	0.697	0.070	9,996	0.000	Significant
Z → Y <sub>1</sub>	0.618	0.179	3,452	0.000	Significant
Z → Y <sub>2</sub>	0.718	1.132	5,425	0.000	Significant
X <sub>1</sub> → Z → Y <sub>1</sub>	-0.006	-	-	-	Not significant
X <sub>2</sub> → Z → Y <sub>1</sub>	0.185	-	-	-	Significant
X <sub>3</sub> → Z → Y <sub>1</sub>	0.431	-	-	-	Significant
X <sub>1</sub> → Z → Y <sub>2</sub>	-0.006	-	-	-	Not significant
X <sub>2</sub> → Z → Y <sub>2</sub>	0.215	-	-	-	Significant
X <sub>3</sub> → Z → Y <sub>2</sub>	0.501	-	-	-	Significant

\*) Significant at  $\alpha = 5\%$

Note : Results of data processing using Amos

The following is an analysis of the interaction of the city government and surrounding regional governments in 3 regions in South Sulawesi seen from city government spending, city investment, and the city's economic growth in the previous year.

- 1) There are no *effects* government spending (X<sub>1</sub>) in three cities, namely the cities of Makassar, Parepare, and Palopo on the economic growth of the surrounding districts (Y<sub>1</sub> and Y<sub>2</sub>) indirectly through the city's economic growth (Z). Meanwhile, directly from city government spending on regional economic growth shows mixed results. Makassar city government spending only shows a significant direct influence on the economic growth of Gowa district. Parepare municipal government spending shows a significant direct influence on the economic growth of Sidrap and Barru districts. While the expenditure of the Palopo city government did not show a significant effect on the two surrounding areas.
- 2) There are *effects* investment (X<sub>2</sub>) of the city on the economic growth of the surrounding districts (Y<sub>1</sub> and Y<sub>2</sub>) indirectly through the economic growth of the city (Z), but only in the Makassar area and its surroundings. While the other two areas stated that there was no *effect* investment. Meanwhile, directly from city investment to regional economic growth also shows mixed results. Makassar city investment does not show a significant direct effect on the economic growth of the surrounding area. Parepare city investment only shows a significant direct influence on the economic growth of

Barru district. While investment in the city of Palopo only shows a significant influence on the economic growth of the Tana Toraja district.

- 3) There are *effects* the city's economic growth in the previous year ( $X_3$ ) to the economic growth of surrounding districts ( $Y_1$  and  $Y_2$ ) indirectly through the city's economic growth ( $Z$ ). However, there is one area that does not show any such *effect*, namely the city of Parepare and Barru district. Meanwhile, directly from the city's economic growth in the previous year on regional economic growth, it showed significant results only in two regions, namely the city of Parepare with the Sidrap district and the city of Palopo with the Tana Toraja district.

#### Makassar city government interaction with Gowa and Maros districts

Based on the estimation results, the findings of this study indicate that there is interaction between the Makassar city government and the district governments of Gowa and Maros districts which are shown in their economic growth. These results are in line with research conducted by Aminuddin, that economic growth in the city of Makassar has a positive and significant effect on economic growth in Gowa and Maros districts. In this study, the variable economic growth is measured using real GRDP. The estimation results show that there is a positive and significant influence from the economic growth of the city of Makassar on economic growth in Gowa and Maros districts in the 2010-2018 period. According to Syahrudin, et al., the city of Makassar as the economic center of South Sulawesi has close links with the surrounding areas, including Gowa and Maros districts. Inter-regional dependency and interaction in terms of the supply of goods and services, investment, and labor allows the economic growth of the city of Makassar to influence economic growth in the surrounding areas. In addition, the movement of capital and labor from the city of Makassar to the surrounding areas also contributes to economic growth in the area.

Meanwhile, based on several factors that affect the economic growth of the city of Makassar, one of which is government spending, it is stated that it has no effect. This means that the greater government spending will not affect economic growth in the city of Makassar. Government spending can reflect how much a city government spends to improve the environment and improve relations with neighbours. However, government spending does not always reflect the effectiveness of interactions between municipalities and neighbors. Based on data from the Central Statistics Agency (BPS), from 2001 to 2021, Makassar experienced quite significant economic growth. In 2001, Makassar's Gross Regional Domestic Product (GRDP) amounted to 14.63 trillion rupiahs and continued to increase until it reached 212.11 trillion rupiahs in 2021. Even though there was an increase in government spending during this period, the impact on economic growth in Makassar was not significant. This could be caused by various factors, such as the effectiveness and efficiency of government financial management, the quality of infrastructure and public services, as well as the fiscal and monetary policies implemented.

Then based on the estimation results, investment has a positive influence on the economic growth of the city of Makassar, so that when investment increases, it will increase economic growth in the city of Makassar which in turn encourages economic growth in Gowa and Maros districts. Research that supports these findings is a study conducted by Yuliansyah, that investment has a positive and significant influence on economic growth in Indonesia, including in the city of Makassar. Recent research conducted by Abdul Jalil and Abdul Aziz also shows similar results. This study found that investment has a significant effect on economic growth in most provinces in Indonesia, including in South Sulawesi.

Investment has a positive effect on economic growth in Makassar because the amount of incoming investment from 2011 to 2020 has increased far from the investment value of the previous period. The size of the investment value can help increase production

and productivity in certain economic sectors, such as industry and agriculture. Over the longer term, increased investment can fuel faster and more inclusive economic growth by creating new job opportunities and increased incomes for people. In general, the previous year's economic growth can affect future economic growth. Good economic growth in the past can help create conditions that support future economic growth. In addition, the economic growth of the city of Makassar also has a significant impact on economic growth in the surrounding areas such as Gowa and Maros districts, this is due to the multiplier effect of the economic growth of the city of Makassar to the surrounding areas.

#### Parepare municipal government interaction with Sidrap and Barru districts

Based on the estimation results, the findings of this study indicate that there is a effect impact from the economic growth of the city of Parepare to the economic growth of the Sidrap district due to fairly intensive economic interactions between the two region. In this case, investment in the tourism and fisheries sector in the city of Parepare can have a positive impact on the economic growth of Sidrap district because Sidrap district is one of the tourist destinations in South Sulawesi and has considerable fishery potential (Kompas, 2020). In addition, Sidrap district also has fairly good access to transportation and there is the development of industrial estates in the region. This can strengthen economic interaction between the city of Parepare and Sidrap district and facilitate the transfer of technology and skills between industries in the two regions. Meanwhile, based on the estimation results it is known that there is no interregional interaction between Parepare city and Barru district . Effect impacts from the economic growth of the city of Parepare to Barru district can occur if there is sufficiently intensive economic interaction between the two regions. For example, if there are many companies investing in Parepare city and employing residents from Barru district, effect impacts from Parepare city to Barru district can occur through the transfer of technology, skills and increased industrial competitiveness. However, if there are obstacles that hinder economic interaction between the two regions, such as long distances or lack of transportation access, then the effect impact can be limited . In addition, the characteristics of the economy and industry in each region can also be different, so it is not easy to transfer technology or skills between the city of Parepare and Barru district. Meanwhile, in this study, government spending and investment have no effect on economic growth in the city of Parepare , meaning that changes in government spending and investment will not affect economic growth in the city of Parepare . From the data it is known that the economic growth of Parepare city is lower than that of Sidrap district . Case Study of Parepare City Government by Asian Development Bank (2017) discussed the efforts of the Parepare municipal government in increasing economic growth through tourism development. The study states that the tourism sector has the potential to become one of the leading sectors in the city of Parepare and can contribute significantly to economic growth. However, this study also notes that there are still several obstacles in developing the tourism sector in Parepare , one of which is the lack of adequate accommodation and transportation facilities. Meanwhile, sustainable economic growth requires adequate infrastructure support, such as a good road network, access to clean water and stable electricity. If the infrastructure of the city of Parepare is inadequate, it will be difficult for government spending to encourage significant economic growth .

#### Interaction between the Palopo City Government and Toraja and North Luwu districts

Based on the estimation results, the findings of this study indicate that there is a *effect effect* between the economic growth of the city of Palopo and the economic growth of the Tana Toraja and North Luwu districts. Several previous studies have also shown that economic growth in one region can affect economic growth in other regions, both positively and negatively. For example, economic growth in a city can increase the demand for goods and services from the surrounding area, thereby encouraging economic growth in the area.

According to research by Chen et al. economic growth in small towns with the main agricultural sector can have a positive *effect impact* on the surrounding area. Palopo, with its main sector of agriculture, can promote economic growth in the Tana Toraja and North Luwu regions through increased production, better market access, and the introduction of new technologies and techniques. The *effect impact* of the economy from Palopo to Tana Toraja and North Luwu can stimulate the growth of other sectors such as trade, services and tourism, thereby driving more inclusive and sustainable economic growth for the region as a whole. One example of cooperation that has been carried out is in the field of tourism. The city governments of Palopo, Tana Toraja and North Luwu have committed to building a Toraja Tourism Special Economic Zone (KEK) as an effort to increase tourist visits to the region. In addition, cooperation in agriculture can also be carried out by introducing new technologies and techniques to each other that can increase the productivity and quality of agricultural products. With good cooperation between regions, it is hoped that long-term mutually beneficial relations will be created and strengthen economic growth in the region.

Meanwhile, based on several factors that affect the economic growth of the city of Palopo, one of which is government spending, it is stated that it has no effect. This means that the greater government spending will not affect economic growth in the city of Palopo. These results are in line with research conducted by Cahyanto and Taryono that government expenditure factors are not significant in influencing economic growth in the city of Palopo. This is due to the larger role of the private sector in driving economic growth. For example, a strong private sector can increase investment and create new jobs, thus driving economic growth. However, if the public sector has a significant role in the economic structure of the city of Palopo, then the influence of government spending can be more significant in driving economic growth. However, this also depends on the effective use of the government budget.

Meanwhile, based on the estimation results of the economic growth of the city of Palopo in the previous year on economic growth in the following year, it shows that there is a positive influence. That is, if the economic growth of the city of Palopo in the previous year increased, then the following year's economic growth would also increase. The increase in economic growth in the city of Palopo will further affect economic growth in the surrounding areas, namely the Tana Toraja district and North Luwu district. As previously explained, economic growth in the past can have a positive impact on various aspects of the economy, such as increased investment, increased production, and increased employment, which can ultimately affect future economic growth. In addition, there is a return to scale effect or *scale effect* can also affect economic growth in the future. The return to scale effect occurs when increasing production in larger quantities can result in lower production costs and increase production efficiency, thereby increasing future economic growth. Therefore, if economic growth in the city of Palopo increased in the previous year, it could give a positive signal that economic conditions were good and could affect future economic growth.

#### 4. CONCLUSION

Based on the estimation results and discussion of *effect effects* urban economic growth to neighboring economic growth in several regions in South Sulawesi along with several influencing factors, several conclusions can be presented, there is no *effect* government spending in three cities, namely the cities of Makassar, Parepare, and Palopo to the surrounding districts indirectly through the city's economic growth. This finding is not in line with the initial hypothesis. This is due to the larger role of the private sector in driving economic growth in the three cities. Meanwhile, directly from city government spending on regional economic growth shows mixed results. Makassar city government spending only

shows a significant direct influence on the economic growth of Gowa district. Parepare municipal government spending shows a significant direct influence on the economic growth of Sidrap and Barru districts. While the expenditure of the Palopo city government did not show a significant effect on the two surrounding areas. There are *effects* Makassar City's investment in the surrounding districts is indirectly through Makassar City's economic growth. While the other two areas stated that there was no *effect* investment. This finding is not in line with the initial hypothesis. This is because the obstacles faced by the business sector in Parepare include the lack of adequate infrastructure, such as good roads and transportation, limited access to markets and quality human resources, as well as regulations that do not support investment and complex bureaucracy. Meanwhile, directly from city investment to regional economic growth also shows mixed results. Makassar city investment does not show a significant direct effect on the economic growth of the surrounding area. Parepare city investment only shows a significant direct influence on the economic growth of Barru district. While investment in the city of Palopo only shows a significant influence on the economic growth of the Tana Toraja district. However, these two significant results are a negative influence, meaning that if investment in the two cities increases, economic growth in Barru and Tana Toraja districts will decrease. There are *effects* the city's economic growth in the previous year towards the surrounding districts indirectly through the city's economic growth. However, there is one area that does not show any such *effect*, namely the city of Parepare and Barru district. This finding is not in line with the initial hypothesis. This is due to the existence of obstacles that hinder economic interaction between the city of Parepare and Barru district, such as long distances or lack of access to transportation. In addition, the economic and industrial characteristics of each are different, so it is not easy to transfer technology or skills between the two. Meanwhile, directly from the economic growth of the previous city to regional economic growth, it showed significant results only in two regions, namely the city of Parepare with the Sidrap district and the city of Palopo with the Tana Toraja district. Based on research results, data analysis and discussion of research results, it can be suggested, Makassar city government needs to maintain positive interactions with the district governments of Gowa and Maros districts, as well as strengthen the private sector in driving economic growth. In addition, investment and economic growth in the previous year need to be continuously increased to accelerate economic growth in the city of Makassar. The city government of Parepare needs to make efforts to overcome the obstacles faced by the business sector in the city, such as improving infrastructure, increasing market access and quality human resources, and reducing unsupportive regulations and complex bureaucracy. In addition, efforts need to be made to increase economic interaction with Sidrap district, such as increasing access to transportation. The municipal government of Palopo needs to maintain its economic growth and optimize *effect effects* to Tana Toraja and North Luwu districts. In addition, the private sector needs to be strengthened in driving economic growth and investment as well as economic growth in the previous year needs to be continuously increased to accelerate economic growth in the city of Palopo. It is recommended that this research be carried out further by considering other factors that may influence *effect effects* between regions, such as industrial and trade characteristics and accessibility to markets. Future research may also consider using better methods such as social network analysis or spatial analysis models to further understand the dynamics of interaction between these regions. It is necessary to conduct a study on how the role of the private sector and government can be optimized to increase economic growth in South Sulawesi. Research advice to get better results in the future is to use more complete and detailed data. Consider collecting additional data on the characteristics of industry, trade,

infrastructure, and social factors that affect economic growth and inter-regional interactions in South Sulawesi. More complete data will provide a more accurate and comprehensive picture of the factors that influence economic growth. Use more advanced and sophisticated analytical methods. For example, spatial analysis or spatial regression models can be used to better study spatial patterns and interactions between regions. Involving relevant parties, such as local governments, industry players, and local communities, in the research process can provide valuable perspectives. Conducting interviews, focus group discussions, or consultations with stakeholders can help understand their role in economic growth and inter-regional interactions. Broaden the scope to include case studies in other regions or conduct inter-regional comparisons. This will provide a more comprehensive understanding of the factors affecting economic growth and inter-regional interactions in Indonesia. Pay attention to the social and environmental impacts of economic growth and inter-regional interactions. For example, how does economic growth in cities affect social inequality, access to public services, or environmental quality? Conducting holistic research will help in formulating sustainable and inclusive policies.

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