THE EFFECT OF GOVERNMENT INVESTMENT AND PRIVATE INVESTMENT ON POVERTY LEVEL IN SOUTH KALIMANTAN PROVINCE

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ABSTRACT

High-quality economic growth is economic growth that can encourage industrialization, can create the widest possible employment opportunities, and can improve people's incomes to reduce poverty levels. On the other hand, South Kalimantan Province is one of the regions in Indonesia that has a fairly large natural resource potential including the agricultural sector, plantation, and marine fisheries sub-sector, as well as the coal mining sector which attracts investment activities both from domestic sources in the form of Domestic Investment (PMDN) and Foreign Investment (PMA). Based on the KPPOD survey parameters, the investment climate condition of South Kalimantan Province is relatively conducive so that investment realization from year to year has increased. One of the goals to be achieved in developing investment, especially with the PMDN and PMA facilities, is to encourage the level of economic growth. Positive economic growth is needed because it means it has moved the wheels of the economy faster. Therefore, it is necessary to conduct research to test, prove and explain the Effect of Government Investment and Private Investment on Economic Growth, Employment Absorption, Income Inequality, and the Number of Poor Populations in Regencies/Cities in the South Kalimantan Province.

Keywords: *Investment, Poverty Level, South Kalimantan.*

1. INTRODUCTION

Development underwent a redefinition, which in the era before the 1970s development was merely seen as an economic phenomenon that was often measured based on the level of progress of the economic structure and employment. The high and low development progress of a country is only measured by the growth rate of Gross National Income (GNT) which is believed to be able to trickle down by itself to create jobs and other economic opportunities. After the 1970s, the definition of economic development was redefined, eliminating or reducing poverty, overcoming income inequality, and providing employment opportunities based on more equitable redistribution of development results (Barro, 2000).

Economic development pursued by developing countries aims, among other things, to achieve prosperity and well-being for all of their people. To achieve the welfare of the people, the main problems faced by every developing country including Indonesia are unemployment, inequality in income distribution, and poverty. The inability of the market mechanism in classical economic theory to answer economic problems is the starting point for the development of Keynes's thinking. Keynes' teachings emphasize the importance of paying attention to the aggregate demand of society and a more active policy from the government. Keynes rejected the classical notion that the capitalist system would adapt itself in the long run, unstable capitalism causing an

economy to stagnate continuously at an equilibrium level of unemployment, depending on the level of uncertainty in a fragile financial system (Abd. Rachim, 2005).

There is no doubt that high economic growth in the long term is very important for the elimination/reduction of the number of poor people. Kuznets hypothesizes that in the early stages of development the poverty rate tends to increase and as near the end of development the number of poor people will gradually decrease. Many other factors affect the reduction of the number of poor people such as economic structure, income distribution patterns, availability of natural resources, quality of human resources, mastery of technology, level of investment, and the seriousness of the government in poverty reduction efforts (Adams, 2003).

Regional autonomy as a solution to educate regions to become more independent in the economy which in the end can develop the regional economy and the national economy Cool in 1999 when Law A fundamental change for the governance structure between the center and the regions. The government has enormous authority in planning, implementing, and at the same time being accountable for the implementation of government (Acemoglu and Robinson, 2022).

The economic growth of South Kalimantan Province from 2011-2015 fluctuated but did not experience much change in the economic structure which was divided into three main sectors of GRDP, namely the Agriculture Sector, the Industrial Sector (Mining, Processing Industry, Electricity, Gas & Water and Construction), and the Construction Sector. Services (Trade, Hotel & Restaurant, Transportation & Communication, Finance, Rental, Corporate Services, and Services). The contribution that is getting smaller is the agricultural sector. Shifts in economic structure and economic growth in South Kalimantan Province (Bahl, 1992).

The results of testing the effect of economic growth on employment also still show inconsistencies in previous studies. Lewis's theory states that economic growth, especially in developing countries, affects employment, high economic growth makes investment in the industrial sector also high, resulting in an expansion of employment output. This statement is contrary to the research results of Todaro (2000) that economic growth does not affect employment, because the reinvestment made by developing countries is precisely to develop an industrial sector that is not labor-intensive. Fei and Ranis in Jhingan (2003) also stated that the effect of economic growth on energy absorption was not significant. This shows that there is an inconsistency in the results of previous studies which indicate a research gap, namely regarding the effect of economic growth on employment.

2. MATERIALS AND METHODS

2.1 Research Type and Design

In this research, there are three types of social research, namely exploratory, descriptive, and explanatory research. This research design uses the explanatory method because it explains the causal relationship between variables (independent/exogenous variables and dependent/endogenous variables) and is followed by hypothesis testing and at the same time descriptive research because in this study there are several descriptive explanations of the variables (Darnanto, 2003).

2.2 Data source

The types and sources of data in this study are secondary data in the form of an annual time series from 2011 to 2015. The population as a whole unit of analysis that has at least one characteristic equation defines the population as a generalization area consisting of objects/subjects that have certain quantities and characteristics. It can be concluded that the population is taking objects/subjects that have certain characteristics completely.

Sample (sampling) is selecting part of the population elements which are the subject where the measurement is carried out or called the unit of study in Emory. The population of this research is all districts/cities in South Kalimantan Province, totaling 13 districts/cities.

The secondary data used is secondary data published by BPS, Bappeda, and SKPD/other agencies related to districts/cities in South Kalimantan Province and Bank Indonesia Banjarmasin for the 2011-2015 time period. This study did not use a sample because it was sourced from secondary data, consisting of 13 districts/cities in the Province of South Kalimantan. Crossing data was taken in 5 years in a series and the data collected did not depend on the time of collection. Data on government investment and private investment are taken in a time series of 5 years (2011-2015), while data on economic growth, employment, and poverty rates are time series 5 years (2011-2015).

3. RESULTS AND DISCUSSION

3.1 Government Investment

Government investment in this study is capital expenditure in the form of expenditures made in the context of the procurement of tangible fixed assets that have a man feat value of more than one year in use by the government (Gujarati, 2003). Capital expenditures may be in the form of land, equipment and machinery, buildings, buildings, roads, bridges, irrigation, networks, and other assets in rupiah. Intangible fixed assets are budgeted in the form of a capital expenditure budget at the purchase price of the asset plus all expenditures related to procurement until the asset is used.

Table 1. Investments of Regency/City Governments
in South Kalimantan Province 2011-2015

County/City	Years					Average
	2011	2012	2013	2014	2015	
Tanah Laut	324.300	349.058	360.085	370.722	390.810	358.995
Kotabaru	318.816	339.023	350.620	365.622	375.211	349.858
Banjar	152.070	232.702	242.711	251.614	263.710	228.561
Barito Kuala	273.034	287.390	295.710	301.213	305.620	292.593
Tapin	175.159	245.400	255.200	268.730	280.721	245.042
Hulu Sungai Selatan	292.936	313.597	339.329	345.298	355.600	329.352
Hulu Sungai Tengah	286.625	307.115	320.831	328.710	335.830	315.822
Hulu Sungai Utara	129.257	160.866	175.722	183.980	190.820	168.129
Tabalong	327.626	353.169	360.730	365.710	372.650	355.977
Tanah Bumbu	249.611	269.339	275.821	280.645	286.730	272.429
Balangan	524.808	611.427	620.713	645.820	652.720	611.098
Banjarmasin	883.219	966.998	985.820	1.005.100	1.025.210	973.269
Banjarbaru	479.178	352.413	360.271	365.820	367.812	385.099
Average	339.741	368.346	380.274	390.691	400.265	375.863

Source: BPS Provinsi Kalimantan Selatan, 2011-2015
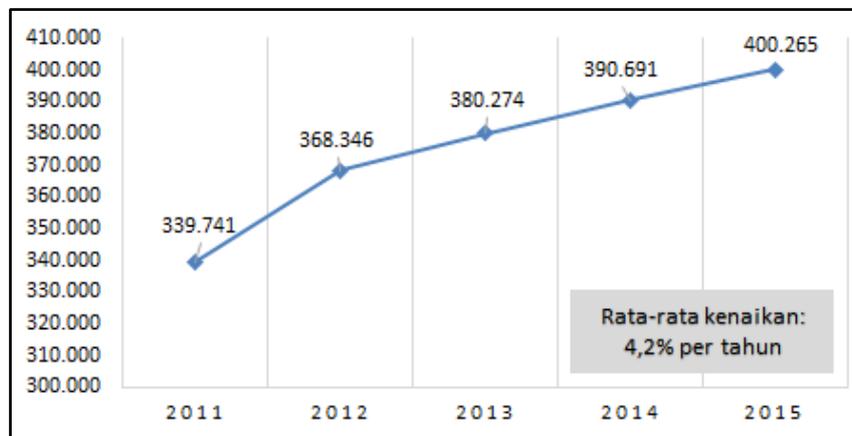
Figure 1. The trend of Government Investment in 2011-2015
(in million-per-year)

3.2   Private Investment

This private investment is considered as an expenditure to purchase capital goods and production equipment to increase the production capacity of goods and services available in the economy (Haris, 2007). Conceptually, investment is the activity of allocating or investing resources (resources) at this time in the hope of getting benefits in the future (future) which are converted into monetary units, namely money. Investment is one of the components that affect the development of output and economic growth. Automatic

investment is a function of national income / gross domestic product which means that autonomous investment will affect economic growth.

Table. 2 Private Investment District of South Kalimantan Province 2011-2015

County/City	Years					Average
	2011	**2012**	**2013**	**2014**	**2015**	
Tanah Laut	411.716	428.162	396.009	424.800	458.582	423.854
Kotabaru	6.367.368	6.571.176	2.810.823	231.753	5.347.534	4.265.731
Banjar	685.047	873.238	993.482	545.987	591.376	737.826
Barito Kuala	615.636	626.486	10.000	2.975.983	191.422	883.905
Tapin	55.200	12.500	97.572	309.480	193.825	133.715
Hulu Sungai Selatan	23.667	24.851	170.954	185.071	200.359	120.980
Hulu Sungai Tengah	180.548	189.575	8.263.380	9.603.041	8.896.462	5.426.601
Hulu Sungai Utara	15.073	15.827	155.735	167.480	180.406	106.904
Tabalong	822.250	691.862	1.506.240	7.456.321	7.456.321	3.586.599
Tanah Bumbu	904.278	320.000	863.575	537.907	584.555	642.063
Balangan	398.936	346.593	123.851	429.420	142.380	288.236
Banjarmasin	2.068.047	1.463.020	869.434	6.167.793	192.464	2.152.152
Banjarbaru	104.763	111.374	369.273	396.932	435.001	283.469
Average	973.271	898.051	1.279.256	2.263.998	1.913.130	1.465.541

Source : BPS dan BKMPD Provinsi Kalimantan Selatan, 2011-2015
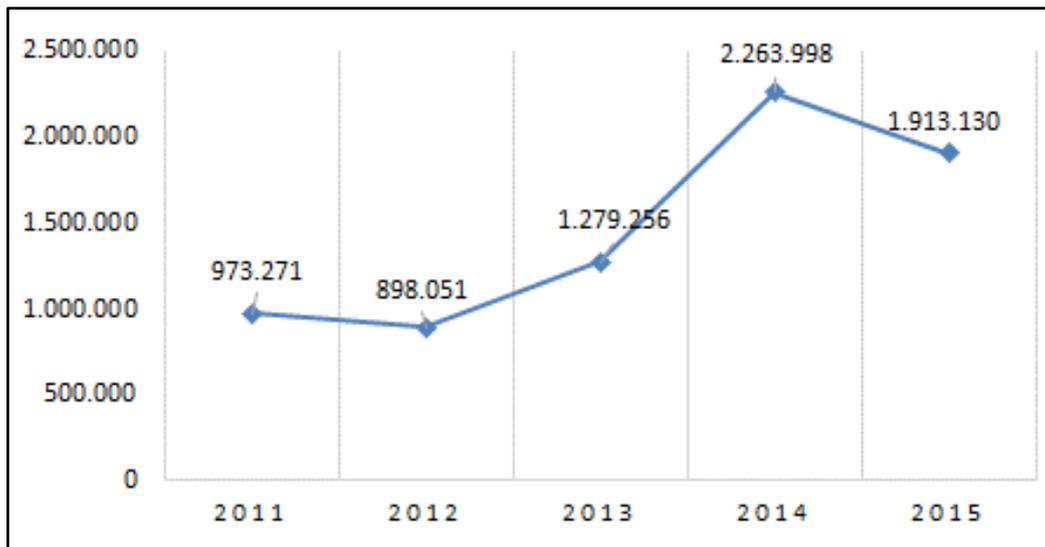
Figure 2. Private Investment Trend in 2011-2015
(in million-per-year)

3.3 Economic Growth

The district/city economy in South Kalimantan Province has experienced a very rapid increase in GRDP in the last 5 years, sector productivity has increased, there has been a shift in the economic structure from the agricultural sector to other sectors, namely the mining sector (Hariyanto, 2012). People's behavior and mindset have undergone a social transformation with increasing socio-economic openness (Harun et al, 2012). Increased regional economic competitiveness and market expansion for regional products, but this growth is still uneven with still being concentrated in areas rich in natural resource potential.

Table 3. Analysis of MIDLIFE Theory

County/City	Years					
	2011	2012	2013	2014	2015	Average
Tanah Laut	6,97	5,97	5,33	4,84	3,82	5,39
Kotabaru	6,35	6,03	5,49	3,19	2,87	4,79
Ban jar	7,28	6,28	4,60	5,08	4,40	5,53
Barito Kuala	4,24	4,88	4,12	4,51	5,26	4,60
Tapin	6,55	6,32	5,75	5,44	4,05	5,62
Hulu Sungai Selatan	5,40	5,33	5,68	5,79	6,05	5,65
Hulu Sungai Tengah	5,98	4,85	5,83	5,56	6,12	5,67
Hulu Sungai Utara	6,42	5,40	5,34	5,99	5,34	5,70
Tabalong	7,23	5,33	4,36	4,03	2,41	4,67
Tanah Bumbu	7,91	6,29	3,80	2,74	2,94	4,74
Balangan	8,84	6,69	8,04	5,90	2,41	6,38
Banjarmasin	5,15	6,18	6,93	6,11	5,79	6,03
Banjarbaru	5,99	6,54	6,59	6,68	6,91	6,54
Average	6,49	5,85	5,53	5,07	4,49	5,48

Source: BPS Provinsi Kalimantan Selatan, 2011-2015
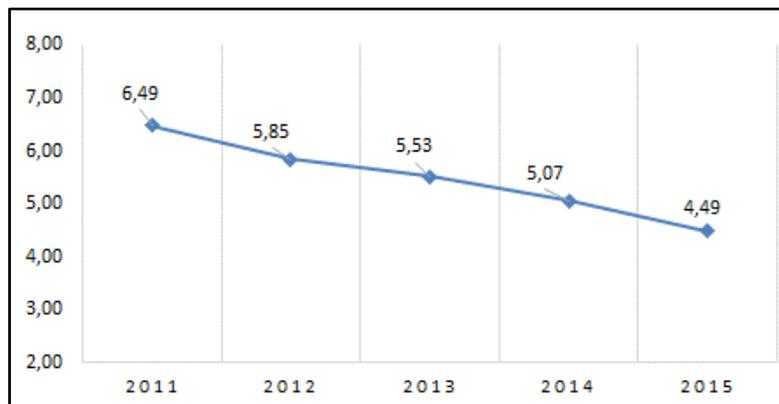
Figure 3. The trend of Economic Growth in 2011-2015
(in percent per year)

3.4   Employment

The general description of the absorption of labor in the districts/cities in South Kalimantan Province shows that the employment sector that absorbs a lot of labor is the agricultural sector, the plantation sub-sector, especially rubber plantations and oil palm plantations. Rubber plantations are a sector that absorbs a lot of labor since the Dutch colonial era until now, behind 10 districts in South Kalimantan Province all of which have extensive rubber plantations, namely Tabalong, Balangan, HSU, HST, HSS, Tapin, Banjar, Tanah Laut, Tanah Seasoning and Kotabaru.

Table 4. Labor Absorption in South Kalimantan Province

County/City	Years					
	2011	2012	2013	2014	2015	Average
Tanah Laut	46,20	44,43	47,47	46,67	49,59	46,87
Kotabaru	44,45	44,64	40,85	46,90	43,45	44,06
Banjar	42,76	40,62	49,22	47,82	51,87	46,46
Barito Kuala	56,73	53,52	47,10	49,10	55,19	52,33
Tapin	48,09	51,53	63,50	68,33	46,75	55,64
Hulu Sungai Selatan	52,51	52,83	48,09	76,99	47,68	55,62
Hulu Sungai Tengah	51,05	51,07	47,81	49,59	52,44	50,39
Hulu Sungai Utara	56,00	56,93	49,14	49,88	53,07	53,01
Tabalong	48,21	46,94	48,94	47,98	49,08	48,23
Tanah Bumbu	37,95	38,22	41,78	44,06	40,82	40,57
Balangan	86,27	87,73	92,03	91,80	55,37	82,64
Banjarmasin	44,08	45,21	42,37	43,38	42,79	43,57
Banjarbaru	36,38	37,86	42,91	43,21	38,80	39,83
Average	50,05	50,12	50,86	54,29	48,22	50,71

Source: BPS Provinsi Kalimantan Selatan, 2011-2015
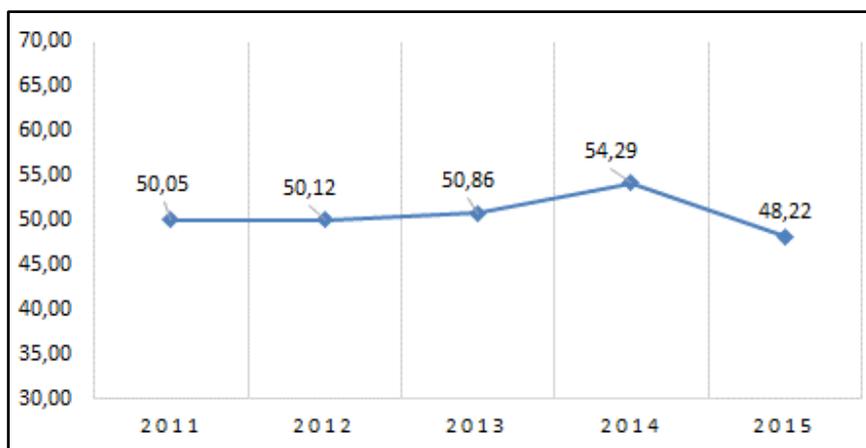
Figure 4. The trend of Labor Absorption in 2011-2015
(in percent per year)

3.5   Poverty Level

The poverty rate of districts/cities in South Kalimantan Province in the last 5 years has decreased in terms of percentage and number, even being ranked 3rd out of 33 provinces nationally in 2013, with HDI being ranked 26th out of 33 provinces nationally. Table 5.35 shows the number of poor people in districts/cities in South Kalimantan Province in the period 2011-2015 which has decreased every year.

Table 5. Poverty Level

County/City	Years					
	2011	**2012**	**2013**	**2014**	**2015**	**Average**
Tanah Laut	4,85	4,57	4,35	4,40	4,56	4,55
Kotabaru	5,17	4,88	4,75	4,79	4,60	4,84
Banjar	3,17	2,98	2,85	2,88	3,26	3,03
Barito Kuala	5,43	5,14	5,14	5,21	5,35	5,25
Tapin	5,31	5,01	3,43	3,64	3,86	4,25
Hulu Sungai Selatan	7,30	6,92	6,69	6,79	6,42	6,82
Hulu Sungai Tengah	6,02	5,69	5,59	5,66	5,79	5,75
Hulu Sungai Utara	7,36	6,97	6,95	7,03	7,07	7,07
Tabalong	6,22	5,86	6,17	6,24	6,56	6,21
Tanah Bumbu	5,99	5,52	5,24	5,24	5,51	5,50
Balangan	7,31	6,89	6,20	6,32	5,90	6,52
Banjarmasin	4,79	4,53	4,23	4,28	4,43	4,45
Banjarbaru	5,59	5,20	4,53	4,38	4,89	4,92
Rata-Rata	5,73	5,40	5,09	5,14	5,25	5,32

Source: BPS Provinsi Kalimantan Selatan, 2011-2015
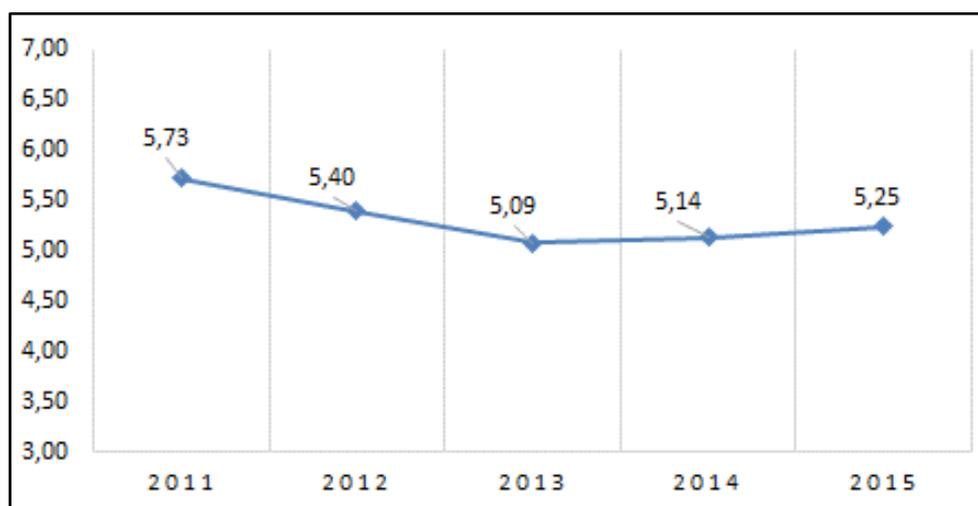
Figure 5. Poverty Rate Trends in 2011-2015
(in percent per year)

3.6 Hypothesis Test Results with Inner Weight

Parameters whether there is a partial effect can be known based on the value of t-statistics provided that through a comparison of t-statistics > 1.96 then there is an effect of exogenous variables on endogenous variables or endogenous variables on endogenous variables. On the other hand, if t-statistics < 1.96, then there is no effect of exogenous variables on endogenous variables or endogenous variables on endogenous variables.

Table 6. Inner Weight - Hypothesis Testing

Hypothesis	Effect Between Variables			Coefficient Path	T stat.	Coefficient Path Keterangan
H_1	Government Investment (X1)	→	Economic Growth (Y1)	0,269	3,926	Significant
H_2	Government Investment (X1)	→	Labor Absorption (Y2)	0,186	1,822	Not significant
H_3	Private Investment (X2)	→	Economic Growth (Y1)	0,141	1,518	Not significant
H_4	Private Investment (X2)	→	Labor Absorption (Y2)	0,144	3,292	Significant
H_5	Economic Growth (Y1)	→	Labor Absorption (Y2)	0,209	2,549	Significant

Based on table 6 above, several things can be seen as follows:

a. The magnitude of the influence of government investment on economic growth is 0.269 with a T-statistics value of 3.926, where the T-statistics value is greater than 1.96.

b. The magnitude of the effect of government investment on employment is 0.186 with a T-statistics value of 1.822, where the T-statistics value is less than 1.96.

c. The magnitude of the influence of private investment on economic growth is 0.141 with a T-statistics value of 1.518, where the T-statistics value is less than 1.96.

d. The magnitude of the influence of private investment on employment is 0.144 with a T-statistics value of 3.292, where the T-statistics value is greater than 1.96.

e. The magnitude of the effect of economic growth on employment is 0.209 with a T-statistics value of 2.549, where the T-statistics value is greater than 1.96.

4. CONCLUSION

Based on the description above, it can be concluded as follows:

a. The factors that can be identified in government investment have a positive and

significant effect on economic growth in districts/cities in South Kalimantan Province, a positive coefficient means that if government investment increases, economic growth will also increase significantly.

b.　　Government investment has no significant effect on employment in regencies/cities in South Kalimantan Province, meaning that the higher government investment does not have a large impact on increasing labor absorption.

c.　　Private investment has no significant effect on economic growth in districts/cities in South Kalimantan Province, meaning that the higher private investment does not have a large impact on increasing economic growth.

FUTURE WORK

　　　Based on the conclusions above, the following suggestions can be given:

a.　　Strategies to reduce poverty levels in districts/cities in South Kalimantan Province must be carried out by increasing labor absorption through increasing the realization of private investment, both foreign and domestic, to increase employment so that it contributes to poverty reduction.

b.　　Local governments are expected to increase investment in Domestic Investment (PMDN), Foreign Investment (PMA) through policies to maintain economic stability, politics, and regional security, improve infrastructure facilities and infrastructure that support and simplify regulations in investing to increase employment

opportunities which in turn reduces the poverty rate.

c.　　Government investment also needs to be more directed towards increasing human capital investment through improving the quality of health and education as important policy tools in local government strategies to increase economic growth and reduce poverty levels.

DECLARATION OF CONFLICTING INTERESTS

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