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Government expenditure and investment on economic growth in Merauke Regency

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Abstract. Developing regions can be seen from economic activities that experience economic growth every year. This can be observed from the activities of economic sectors that continue to develop. The purpose of this paper is to find out the influence level of government expenditure variable, investment variable, and economic growth. As for the data used in this research are government expenditure, investment, and economic growth to observe the direct effect of the government expenditure variable (x1), investment variable (x2) and economic growth (y). The effect of government expenditure (x1) on economic growth (y) is positive and significant with a t value of 9.449 and Coefficient value of 0.379. While the direct effect of the investment variable (x2) on economic growth (y) shows a positive but not significant effect. The conclusion is that there is a relationship between government expenditure on economic growth that has a positive and significant effect, while investment has no significant impact on economic growth.

1. Introduction

Developing regions can be seen from the activities of the economic wheels that experience economic growth every year. This can be seen from the activities of economic sectors that continue to develop, so that the economic wheel in the region is getting more advanced, in addition to the role of government expenditure and investment which can provide tangible contributions to the economic growth of a region.

Government expenditure according to [1] is a fiscal policy carried out by the government in running and regulating the economy of a region by determining the amount of revenue obtained by the region and also the amount of expenditure spent by the government in a certain period written in government documents, namely the State Budget (APBN) for the national scale and the Regional Budget (APBD) for the provincial or district/city scale. Whereas [2] described three main factors influencing the economic growth of a region, namely the population, the use of updated technology and capital accumulation.



[6] further explained that some of the world's economists, namely Thomas Robert Malthus and Adam Smith, said that four factors have a role in influencing regional economic growth, namely population, investment, the size of a region, natural resources and advances in technology.

The market mechanism, according to Adam Smith in [1], can create an atmosphere in which the economy of a region can function properly. Where an increasingly large market development will increase regional income and the number of population growth each year experiences growth in line with the increase in regional income.

Meanwhile, according to Ricardo in [3], the amount of natural resources does not experience an addition so they can be one of the inhibiting factors in the process of growth or development in a society. In addition to the benefits of technology and capital incorporation, it also increases labor productivity.

[4] explained investment is an expenditure that is spent as a whole in buying materials or raw materials, as well as equipment used in running the company's operations during the production process. Besides, the investment can drive the economy of a region. The better investment climate will open up opportunities for workers who are ready to work and have skills to be absorbed into the job market.

As for the variables measured in the measurement of government expenditure, investment, economic growth, the purpose of this study is to look at the relationship between government spending and investment in economic growth directly in the Merauke Regency from 2010 to 2017.

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2. Materials and methods

2.1. Research location

This research was conducted in Merauke Regency.

2.2. Research variables

There were three variables used by the authors in this study, namely government expenditure (x_1), investment (x_2), and economic growth (y).

2.3. Samples

The sample in this study was data on government expenditure, investment, and economic growth in Merauke Regency from 2010 to 2017.

2.4. Data analysis

To determine the results of this study, the authors used the ordinary least squares (OLS) data analysis technique. OLS statistical equation model allows testing of parameters in linear regression

3. Results and discussion

3.1. Results

Directly, the influence of government expenditure and investment on economic growth in Merauke Regency from the table below can be seen that

Table 1. The relationship between government expenditure and investment to the economic growth of Merauke Regency

Model		Coefficients ^a							
		Unstandardized Coefficients		Standardized Coefficients	T	Sig.	Correlations		
		B	Std. Error	Beta			Zero-order	Partial	Part
(Constant)		7.667	3.177		2.413	.061			
1	Government expenditure	.379	.040	.972	9.449	.000	.974	.973	.950
	Investment	.015	.135	.012	.113	.915	.218	.050	.011

3.1.1. Dependent Variable: economic growth. From the table above, it is found that the direct relationship concerning the effect of government expenditure variable (x_1) with a Coefficient value of .379 has a positive and significant effect on economic growth (y) with a significance level of .000, while the investment variable (x_2) with a Coefficient value of .015 has a positive but not significant effect on economic growth (y).

3.2. Discussion

Government expenditure (x_1) has a positive and significant impact on economic growth (y) with a t value of 9.449 and a Coefficient value of 0.379 which explains that every 1 percent reduction of government expenditure would reduce the amount of economic growth by 0.379 percent. However, a 1 percent increase in total government expenditure will increase the amount of economic growth by 0.379 percent.

Positive and significant results of government expenditure variable on economic growth mean that an increase in government expenditure every year will open up job opportunities so that equitable development occurs in all regions of the Merauke Regency. Besides, government expenditure can be allocated to open as wide as possible access to the community for accessing infrastructure, especially education, which is considered to remain inaccessible to people who are far from urban areas, so that the difficulty of accessing it results in low-quality human resources. The findings in this study were found to be in accordance with the theory of government expenditure according to [5] and [6] which explains that productive government expenditure will open up employment opportunities as wide as possible and investment can encourage an increase in economic growth in a certain period. As for the results of this paper, it is in line with the findings of [7] which explain that government expenditure has a significant influence and has a positive relationship on economic growth.

While the direct relationship of investment variable (x_2) to economic growth (y) shows a positive but not significant effect four factors have is due to the in and out access to companies that still need attention from several stakeholders, especially road conditions that are still difficult to access. In addition to road conditions, human resources that are still left behind make the workforce needed by companies is difficult to be fulfilled. This result is not in line with the findings of [8] which found a positive and significant effect of investment on economic growth.

4. Conclusion

According to the findings from the research that has been done, it can be concluded that government expenditure has a positive and significant effect on economic growth. While investment has no significant effect on economic growth. In an effort to increase economic growth, the government can consider the above variables as a reference in making policies. However, government investment should specifically focus on improving the quality of human resources that is still quite behind compared to other regions, in addition to the government effort to open road access to the locations of companies which have been difficult to reach so that it can attract investors to invest in Merauke Regency,

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