

## **Driving Economic Growth: The Role of Domestic Investment in South Kalimantan**

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### ***Abstract***

*The increase and decrease in the rate of economic growth in South Kalimantan in the five years from 2018-2022 is the background of this research. Based on theory, in order to increase the rate of economic growth, investment is needed, both domestic and foreign investment. In this study, it will focus on how much influence local investment has on economic growth. South Kalimantan using simple linear regression analysis techniques with quantitative descriptive research types and assisted by the Eviews 12 programme. This study uses time series data by taking secondary data on the official BPS website. This study shows that partially the local investment variable has a significant effect on economic growth in South Kalimantan with a probability value of  $0.0175 > 0.05$ .*

**Keywords** - *Economic Growth, Domestic Investment, South Kalimantan*

## INTRODUCTION

Economic growth in the view of economists is a long-term problem in the economic field at large. The method of changing economic conditions so that they can run in a positive direction on an ongoing basis in the future period in a country is the meaning of economic growth. (Yuniarti et al., 2020). A country needs 3 basic components in economic growth, namely the continuous increase in the supply of goods, the provision of various goods by prioritising technology which determines the degree of growth and institutional and ideological adjustments that globally require technology in order to produce science and technology updates that can be utilised effectively and efficiently. (Z. Mubarak et al., 2023; Wajdi et al., 2023). Measuring economic growth usually uses data obtained from gross domestic product as a measure of the overall economic income of all people. (Hidayatullah et al., 2024; Yusuf, Azhari, et al., 2023).

Until now, economic growth theory has developed rapidly. However, there are broadly two opinions of economic growth theory, such as the historical and logical opinions. The historical opinion is commonly referred to as the school of linear economic growth or often known as the opening stage in economic growth. (Purnomo & Zahra Maulida, 2023). While the logical opinion believes in the theory of the occurrence of economic growth based on cause and effect, it is very focused on the theory that provides a logical and sustainable explanation of growth, but focuses less on empirical content and is abstract in nature (Kusumadewi et al., 2014). (Kusumadewi et al., 2022; Yusuf, Abduh, et al., 2023). This school of thought is often referred to as modern theory because it can be divided into three theories, namely, classical theory, neoclassical theory and structural growth theory. (Hasyim, 2017).

The Harrod-Domar theory conveys that in order for an economy to achieve long-term resilience or *steady growth*, an investment is needed. The investment can be in the form of domestic investment or foreign investment (Yuliantari et al., 2016). (Yuliantari et al., 2016). Domestic investment has an important and active role in local businesses, both large companies and micro, small to medium enterprises (MSMEs). In addition, domestic investment also creates employment opportunities, but also encourages development in economic sectors and contributes to overall economic growth. (Filzah & Damanik, 2023; Z. Mubarak et al., 2023).

South Kalimantan's economic growth obtained from the official *website of BPS South Kalimantan* in the 2018-2022 period experienced ups and downs. Recorded growth in 2018 South Kalimantan was 5.08 per cent, in 2019 it decreased by 4.09 per cent, the peak of the decline occurred in 2020 to -1.82 per cent. This decline was due to a disease outbreak that paralysed economic activity throughout the world. (S. Mubarak, 2023). However, slowly the South Kalimantan economy can still survive and experience an increase in 2021, an increase of 3.48 per cent, and in 2022 by 5.11 per cent. This increase is an illustration of a fundamentally stronger economic improvement or it can be concluded that South Kalimantan's economic performance can gradually withstand the disease outbreak. (Wafa et al., 2024).

The development of Economic Growth and Domestic Investment (IDN) in South Kalimantan in 2018-2022 can be seen in the table below:

**Table 1.**

Economic Growth and Domestic Investment

Year	Economic Growth (Percent)	PMDN (Billion Rupiah)
2018	9 975,2	5,08
2019	10 061,0	4,09
2020	4 286,3	-1,82
2021	11 003,9	3,48
2022	12 310,4	5,11

*Source: Secondary Data 2018-2022*

Judging from table 1, it can be concluded that the economic growth rate of South Kalimantan has increased even though it had experienced a drastic decline for 2 years.

A crucial factor in determining economic growth is local or domestic investment. Based on Law No. 15 of 2007, domestic investment is an investment activity to conduct business in the territory of the Republic of Indonesia carried out by domestic capital investors and using domestic capital. (Rofii & Ardyan, 2017). Therefore, it can be concluded that domestic

investment is an investment activity carried out by investors using local wealth. (Asiyan, 2020; Muhaimin et al., 2023).

Based on the description that has been mentioned, this problem is interesting to be investigated further on how the effect of domestic investment (IDN) on economic growth in South Kalimantan in order to clarify information after the increase and decrease in the economy in the previous five years.

## **RESEARCH METHODS**

The quantitative descriptive method supports this type of research. The approach in analysing this research uses a quantitative approach. The source of data in this research is obtained through the official website of BPS. The object of this research is economic growth and domestic investment. In this study the data used is secondary data, where in the equation Y is South Kalimantan Economic Growth and X is South Kalimantan Domestic Investment. The data needed in this study include:

1. Information on South Kalimantan Domestic Investment in 2018-2022 obtained from Investment data per year
2. Information about South Kalimantan Economic Growth in 2018-2022 obtained from data per year.

The data obtained was then analysed using Simple Linear Regression with the support of the *Eviews 12* program.

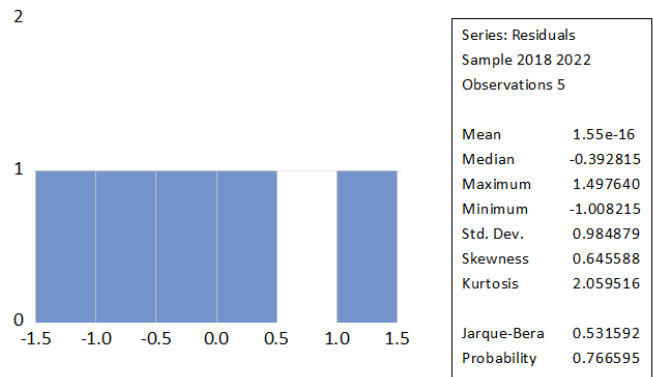
## **RESULTS**

Based on the results of the analysis of *time series* data (secondary data) obtained from the official BPS *website* in the form of economic growth reports for 2018-2022 which are then processed using *Simple Linear Regression* Analysis using the *Eviews 12* program to examine the research hypothesis. (Syaugi & Rahmah, 2021).

**Classical Assumption Test (Prerequisite Test)**

*Normality Test*

**Image 1.** Normality Test Results with Histogram



Source: data processed 2023, with Eviews 12

Based on this data, the *Jarque-Bera Probability* then gets a value of 0.531592, which means it exceeds  $\alpha$  ( $0.531592 > 0.05$ ). So it can be concluded that the residual data in this study is normally distributed.

*Linearity Test*

**Table 2.** Linearity Test Results

Ramsey RESET Test			
Omitted Variables: Squares of fitted values			
	Value	df	Probability
t-statistic	1.279657	2	0.3290
F-statistic	1.637523	(1, 2)	0.3290
Likelihood ratio	2.990779	1	0.0837

Source: data processed 2023, with Eviews 12

The F-Statistic Probability value seen from the data gets a value of 0.3290 which means it exceeds  $\alpha$  ( $0.3290 > 0.05$ ). So, it can be interpreted that the model is linear.

### *Heteroscedasticity Test*

**Table 3.** Heteroscedasticity Test Results

Heteroskedasticity Test: Breusch-Pagan-Godfrey  
Null hypothesis: Homoskedasticity

F-statistic	0.174063	Prob. <u>F</u> (1,3)	0.7046
<u>Obs</u> *R-squared	0.274196	Prob. <u>Chi-Square</u> (1)	0.6005
Scaled explained SS	0.052293	Prob. <u>Chi-Square</u> (1)	0.8191

*Source: Eviews 12, Data processed, 2023*

The *Prob. Chi-Square Breusch-Pagan-Godfrey* based on these data is 0.6005 which means it exceeds alpha ( $0.6005 > 0.05$ ). So, it can be concluded that it is free from symptoms of heteroscedasticity.

### *Autocorrelation Test*

**Table 4.** Autocorrelation Test Results

Breusch-Godfrey Serial Correlation LM Test:  
Null hypothesis: No serial correlation at up to 2 lags

F-statistic	0.776370	Prob. <u>F</u> (2,1)	0.6259
<u>Obs</u> *R-squared	3.041320	Prob. <u>Chi-Square</u> (2)	0.2186

*Source: Eviews 12, Data processed, 2023*

*Prob* value. *Chi-Square Breusch-Godfrey LM Test* based on this data is obtained at 0.2186 which means it exceeds *alpha* ( $0.2186 > 0.05$ ). So, it can be taken to mean that if there are no autocorrelation symptoms, it makes the classical assumptions fulfilled.

### Simple Linear Regression Test

**Table 5.** Simple Linear Regression Test

Dependent Variable: PE  
Method: Least Squares  
Date: 12/20/23 Time: 23:02

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-5.201624	1.832438	-2.838636	0.0657
IDN	0.000881	0.000185	4.765627	0.0175
R-squared	0.883319	Mean dependent var		3.188000
Adjusted R-squared	0.844426	S.D. dependent var		2.883257
S.E. of regression	1.137240	Akaike info criterion		3.384260
Sum squared resid	3.879945	Schwarz criterion		3.228035
Log likelihood	-6.460650	Hannan-Quinn criter.		2.964968
F-statistic	22.71120	Durbin-Watson stat		0.624886
Prob(F-statistic)	0.017548			

Source: Eviews 12, Data processed, 2023

Based on the table above, the following research equation model is obtained:

$$Y = -5201624 + 0.000881 \text{ Domestic Investment} + e$$

The equation shows the meaning:

1. If the value of domestic investment is zero, then the price of economic growth is - 5201624
2. If domestic investment increases by 1%, then economic growth will increase by 0.000881

### Partial Test (T Test)

**Table 6.** Partial Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-5.201624	1.832438	-2.838636	0.0657
IDN	0.000881	0.000185	4.765627	0.0175

Source: data processed 2023, with Eviews 12

Judging from the partial test in table 6 above, the probability value of Domestic Investment (IDN) is  $0.0175 < 0.05$ , so  $H_0$  is rejected and  $H_a$  is accepted, which means it is significant. Alias,  $t_{statistik} IDN = 4.7656275 > t_{tabel} = 3.182$ , then  $H_0$  is refuted and  $H_a$  is accepted,

which means there is an influence. Therefore it can be concluded that partially domestic investment has a significant effect on economic growth in South Kalimantan.

### Determination Test ( $R^2$ )

**Table 7.** Determination Test Results

Dependent Variable: PE  
Method: Least Squares  
Date: 12/20/23 Time: 23:02

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-5.201624	1.832438	-2.838636	0.0657
IDN	0.000881	0.000185	4.765627	0.0175
R-squared	0.883319	Mean dependent var		3.188000
Adjusted R-squared	0.844426	S.D. dependent var		2.883257
S.E. of regression	1.137240	Akaike info criterion		3.384260
Sum squared resid	3.879945	Schwarz criterion		3.228035
Log likelihood	-6.460650	Hannan-Quinn criter.		2.964968
F-statistic	22.71120	Durbin-Watson stat		0.624886
Prob(F-statistic)	0.017548			

Source: data processed 2023, with Eviews 12

$$Y = a + Bx$$

$$Y = -5.201624 + 0.000881 \text{ Domestic Investment (IDN)}$$

- The IDN coefficient value of 0.000881 indicates that if there is an increase in IDN for one year, therefore the economic growth rate will increase by 0.000881.
- In the regression output table, the R-square value of 0.883319 shows that the Domestic Investment (IDN) variable economic growth has an influence of 88% and the other 12% has an influence from other variables.

## DISCUSSION

Referring to the analysis that has been carried out, the results of hypothesis testing show that domestic investment (IDN) has a significant effect on economic growth, namely obtained a probability figure of  $0.0175 < 0.05$  and  $t_{statistikIDN} = 4.7656275 > t_{tabel} = 3,182$ . The results of this analysis are in line with the analysis of (Adi & Syahlina, 2020) which states that the local investment variable has an influence on economic growth.



This analysis also received support from research (Ningsih et al., 2020) said that local investment has a good and significant influence in the long term, this is evidenced by an average development of 11.1% in the domestic investment variable in the period studied.

## CONCLUSION

From the description of the results of the analysis that has been carried out on the effect of domestic investment on economic growth in South Kalimantan, it can be concluded that partially shows that domestic investment significantly has an influence on economic growth in South Kalimantan, as evidenced by the value of  $0.0175 < 0.05$  and  $4.7656275 > 0.05$ .  $t_{statistikIDN} = 4.7656275 > t_{tabel} = 3,182$ .

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