



# The effect of investment on economic growth in Gowa district

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## ABSTRACT

This study aims to determine the effect of investment on economic growth in Gowa Regency. The population is also the sample, namely investment data and economic growth data for Gowa Regency in 2009-2013. The data collection technique used is library research. The data analysis method used is descriptive and quantitative analysis using simple linear regression analysis. The results of the study show that investment has no positive and insignificant effect on economic growth in Gowa Regency.

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## 1. INTRODUCTION

One of the important benchmarks in determining the success of economic development is economic growth which illustrates a real impact from the implemented development policies. Economic growth is closely related to the process of increasing the production of goods and services in society's economic activities. "Economic growth can be defined as: the development of activities in the economy that causes goods and services produced in society to increase".

There are three main factors or components in economic growth, namely (1) capital accumulation, (2) population and labor force growth, (3) technological progress. Accumulated capital is obtained from savings and investments that are set aside from current income to be able to increase production and income in the future. New equipment and raw materials will increase a nation's physical capital stock and will make it possible to achieve higher levels of production. Such direct production investment is supported by what is called socio-economic infrastructure that will facilitate and integrate economic activities. Likewise investment in human resources which will be able to improve its quality and thus will have a very strong influence and even more.

Investment is closely related to economic growth. With increased investment that can increase production capacity which is expected to increase productivity to produce output and added value, so that it will increase economic growth. Increased production capacity can be obtained through private investment (Private Investment) which is commonly referred to as domestic investment (PMDN) or foreign investment which is known as Foreign Investment (PMA). As for the discussion of this research, the authors will only focus on investment as a whole, namely the total from PMDN and FDI in Gowa Regency.

One of the successes of the regions in increasing their attractiveness to investment depends on the ability of the regions to formulate policies related to investment and the business world as well

as improving the quality of service to the community. It is also important to note in an effort to attract investors, apart from conducive macroeconomic conditions, there is also the development of human resources and infrastructure in a broad sense. In addition, the ability of the region to find factors that can be used as a measure of the competitiveness of the regional economy against other regions is also very important in efforts to increase its attractiveness and win.

competition. One of the factors to increase regional development is the availability of capital in the form of investment. Lack of capital in development is an inhibiting factor for a nation's economic growth. One of the characteristics of a developing country is the lack of sufficient capital for development.

## 2. RESEARCH METHOD

Library research is research conducted in libraries with the aim of obtaining information in the form of theories, which originate from books, articles related to the object to be discussed. The research area is Gowa Regency and the research time is 2 months. The type of data used in this study is secondary data, namely data obtained through documentation techniques, namely data on investment development and economic growth in Gowa Regency obtained from the Central Bureau of Statistics of Gowa Regency. The sampling technique used is time series or periodic data. This technique is used on the basis of the author's consideration that in sampling, the author directly selects the object or data that is the theme of this writing.

## 3. RESULTS AND DISCUSSIONS

### Research result

#### a. Geographical location of Gowa Regency

On the topographical map, the location of Gowa Regency is depicted at  $119^{\circ} 37' 33''$  W and  $120^{\circ} 03' 17''$  E,  $5.0829342862^{\circ}$  North Latitude and  $5.577305437^{\circ}$  South Latitude. The district which is located in the south of South Sulawesi is an autonomous region, in the north it is bordered by Makassar city and Maros Regency to the east is bordered by Sinjai, Bulukumba and Bantaeng districts to the south by Takalar and Jeneponto districts while in the west by Makassar and Takalar cities.

The administrative area of Gowa Regency consists of 18 sub-districts and 167 villages/all with an area of approximately 1,883.33 square kilometers or equal to 3.01 percent of the total area of South Sulawesi Province. Most of the Gowa Regency area is highlands, namely 72.26 percent, there are 9 sub-districts which are highlands, namely Parangloe towards Tinggimoncong, Kuncio pao, parigi, bungaya, bontolemngan tompobulu and biringbulu. And the total area of Gowa Regency is 35.30 percent which has a slope of over 40 degrees, namely in the Parangloe, Tinggimoncong, Bungaya and Tompo Bulu sub-districts. Gowa Regency is traversed by a fairly large number of rivers, namely 15 rivers with an area with the largest drainage area being the Jeneberang River, which is 881 km<sup>2</sup> in area and 90 km in length

#### b. Gowa Regency Economic Development

One important indicator used to observe development results, especially economic development in a region, is economic growth. This indicator is used to measure the level of output growth in an economy. In addition, this indicator actually also provides an indication of the extent to which economic activity during a certain period has generated additional income for the community.

This indication is implied in the context of output growth, because basically economic activity is a process of using production factors to produce goods and services (output). In turn, this process will of course also result in a flow of remuneration for the factors of production that are controlled by the community. Thus, with economic growth it is hoped that the income of people who control the factors of production will also increase.

Economic growth can be seen from the magnitude of the GRDP value that was successfully created in a certain year compared to the previous year's GRDP value. The GRDP value being compared is the GRDP value at constant prices. The use of value at a constant price is intended to avoid the effect of price changes. Thus, the growth rate obtained solely reflects the growth of real GRDP generated by the economic activity of a region in a certain period.

Table 1. Growth of Current ADH GRDP and Constant ADH GRDP in 2000 Gowa Regency for the 2009-2013 Period

Year	GRDP ADH apply(Million)	Growth(percent)	GRDP ADH Constant 2000 (Million)	Growth(percent)
2009	4,309,671.23	24.08	1,782,158.63	7.99
2010	5,082,230.41	17.93	1,890,032.59	6.05
2011	5,931,369.84	16.71	2,007,276.99	6.20
2012	6,791,070.31	14.49	2,153,398.63	7.28
2013	7,832,781.08	15.33	2,320,973.45	7.78

The table above shows that the growth of PDRB ADH Applicable and ADH Constant 2000 GRDP has increased from year to year although the increase is not too large when viewed from the percentage. One way to view economic progress and sector development is to look at the value of growth in the Gross Regional Domestic Product (GRDP). GRDP is the value of all goods and services produced in one year in a certain area without distinguishing the factors of production used in the production process.

#### c. Gowa regency investment development

Investment or commonly known as investment is a decision to postpone the consumption of resources or a share of income in order to increase the ability to add/create life value (income and or wealth) in the future.

Investment, both Domestic Investment (PMDN) and Foreign Investment (PMA) play an important role in determining the amount of output and income. With the increasing investment of both PMDN and FDI, it is hoped that it will encourage the growth of the private sector and households in allocating existing resources in an area. This will eventually lead to an increase in GRDP and it is hoped that regional economic growth will increase.

Domestic Investment (PMDN) is an activity of investing to do business in the territory of the Republic of Indonesia which is carried out by domestic investors using domestic capital, while Foreign Investment (PMA) is an activity of investing to do business in the territory of the Republic of Indonesia. Indonesia conducted by foreign investors using foreign (foreign) capital.

Table 2. The following is data on investment development in Gowa Regency for the last 5 years (2009-2013)

Year	Investment (Billion)	Development (percent)
2009	327,376,000,000	7175.02
2010	45,149,000,000	-86.21
2011	45,149,000,000	0
2012	200,873,000,000	344.91
2013	163,340,000,000	-18.69

During the period of 2009 the investment value reached 7,175.02 percent and in 2010 it decreased by 85.97 percent; in 2011 there was no increase or decrease; and in 2012 it increased again by 344.91 percent and in 2013 it decreased by 18.69 percent.

#### d. Effect of Investment on Economic Growth

Based on the previous description which states that investment has an important role in increasing economic growth, then in the next step the writer will test the hypothesis presented in

CHAPTER II, namely that it is suspected that investment has a positive and significant effect on economic growth in Gowa Regency.

Table 3. The Effect of Investment on Economic Growth

Year	Investment Development (Percent)	Economic growth (Percent)
2009	7175.02	7.99
2010	-86.21	6.05
2011	0	6,20
2012	344.91	7,28
2013	-18.69	7.78

**Discussion**

To find out whether investment affects economic growth in Gowa Regency, the results of simple linear regression calculations are presented.

$$Y = a + bX \dots\dots\dots (1)$$

$$Y = 6.747 + 0.002 X \dots\dots\dots (2)$$

The value of a = 6,747 means that if there is no investment variable value (X) or in other words if the investment variable is zero, then economic growth is only 6,747. Value b = 0.002 which means that each investment is 1 unit. Then it will increase economic growth by 0.002.

**a. Correlation coefficient analysis**

To find out the percentage of the relationship between the Investment variable and Economic Growth in Gowa Regency, the value of the correlation coefficient can be seen in the following table:

Table 4. Investment correlation coefficient values

Model	R	R Square	Adjusted R Square	Estimates	Durbin-Watson
1	.413a	.171	-.244	1.02678	153c

Based on table 4, it is obtained that the coefficient of determination R square = 0.171 which means that 17.1% of investment can be explained by the model or in other words the investment variable does not have a strong enough relationship to economic growth in Gowa Regency and the remaining 82.9% is influenced by other factors which are not included in this research.

**b. T Test Analysis**

To find out the effect of the investment variable on economic growth, it is done by comparing the t count and t table at a confidence level of 0.05.

Table 5. Analysis of the T Test

Model	Unstandardized Coefficients		Standardized Coefficients		Q	Sig.
	B	std. Error	Betas			
1	(Constant)	6,747	.554		12,189	.007
	investment (x)	.002	.003	.413	.642	.587

Based on table 5, the results of the t test are as follows: the investment variable (X) has a t-count value of 0.642 with a t-significance of 0.587 far greater than the significance level used 0.05 which indicates that investment (X) has no significant effect on Economic Growth (Y) in Gowa Regency.

Based on the results of data analysis where the Investment variable has no significant effect on Economic Growth in Gowa Regency. This shows that Investment has a role in Economic Growth, even though there is limited investment achieved by Gowa Regency, it will affect Economic Growth in Gowa

Regency even though the effect is only small. Investment is a decision to postpone the consumption of resources or the share of income in order to increase the ability to add/create life value (income and/or wealth) in the future.

Economic growth means the development of activities in the economy that cause goods and services produced in society to increase and people's prosperity to increase. The problem of economic growth can be seen as a macroeconomic problem in the long term. From one period to another, the ability of a country to produce goods and services will increase.

In The General Theory, Keynes considered that investment is determined by interest rates. Companies will make investments if the investment appears to be profitable, that is, if the return (returns, profits or results) exceeds the interest rate on the funds that can be borrowed to finance the investment. Meanwhile, Todaro (2000: 158) states that there are three main factors or components in economic growth, namely (1) capital accumulation, (2) population and workforce growth, (3) technological progress.

#### 4. CONCLUSION

Based on the results and previous discussion, it can be concluded that the economic condition of Gowa Regency has decreased over the last 5 years (2009-2013) which is still dominated by the Agricultural Sector. The results of this test show that  $\hat{Y} = 6,747 + 0,002 X$ , which means that investment has no positive and significant effect on economic growth in Gowa Regency by 46.5 percent.

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