



## THE EFFECT OF PRIVATE INVESTMENT AND GOVERNMENT EXPENDITURE ON URBANIZATION LEVELS IN MAROS DISTRICT

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### Abstract

The purpose of this research is to analyze the effect of private investment and government spending on the level of urbanization in Maros Regency, either directly or indirectly through economic growth and job opportunities.

The data analysis technique used in this study is multiple linear regression in stages. The results showed that private investment was significant and had a positive effect on the level of urbanization in Maros Regency. Government spending is significant and has a positive effect on the level of urbanization in Maros Regency. Private investment through economic growth and job opportunities is significant and has a positive effect on the level of urbanization in Maros Regency. Meanwhile, government spending through economic growth and job opportunities is also significant and has a positive effect on the level of urbanization in Maros Regency.

**Keywords:** urbanization, private investment, government spending, economic growth, employment opportunities

### I. Introduction

Economic development is a process of increasing total income and income per capita by taking into account the increase in population and accompanied by fundamental changes in the economic structure of a country and equal distribution of income for the population of a country. The economic development includes various shaping aspects such as economic, social, political and others where these aspects work together to achieve development success both at the central and regional levels. Therefore, it requires the participation of both the community and government in achieving these goals. Regional economic development as an integral part of

national economic development has a very important role in realizing the achievement of national goals.

According to Arsyad (1999), regional economic development is defined as a process in which local governments and their communities manage existing resources and form a partnership pattern between local governments and the private sector to create new jobs and stimulate the development of economic activity in the area. As the goal of national development, regional development also aims to improve the welfare of the community. Economic growth can be both positive and negative. If in a period the economy experienced positive growth, it means that economic activity in that period has increased. Meanwhile, if in a period the economy experienced negative growth, it means that economic activity in that period has decreased. Regional development is an integral part of national development which is carried out based on the principles of regional autonomy and national resource management which provides opportunities for increased democracy and regional performance to improve social welfare towards a civil society free of collusion, corruption and nepotism.

The development in Maros Regency which is carried out comprehensively and continuously has improved the economy of the community. The achievement of development results cannot be separated from the concerted efforts of the government and the community. In a development, growth is definitely expected. To achieve these targets, facilities and infrastructure are needed, especially adequate financial support. This is where the participation of investment which has quite an important scope because it is in accordance with its function as a support for development and growth, while the objective is to support the implementation of national development in order to increase equitable distribution of economic growth and national stability towards improving people's welfare.

The formal definition of urban areas in Indonesia is an area that has a non-agricultural main activity with an arrangement of area functions as an urban

settlement, centralization and distribution of government services, social services, and economic activities (Law No. 24 of 1992 on Spatial Planning) .

In essence, investment is the first step in economic development activities. Investment dynamics affect the level of economic growth and reflect the level of development.

GRDP growth as a benchmark for the growth of a regional economy cannot be separated from the role of government spending in the public service sector. The greater the productive regional government expenditure, the greater the economic level of a region (Wibisono.2005).

## **II. Theoretical Review**

### **Investment Theory Review**

Investment is an investment in a company in order to increase existing capital goods and production equipment in order to increase the amount of production. Investment in this form of investment can come from two sources, namely Domestic Investment (PMDN) and Foreign / Foreign Investment (PMA). Investment that increases from year to year will cause the absorption of the working workforce to be even greater because with high investment, the production process will increase and more and more require a working workforce (Sukirno, 2000).

Investment includes two main objectives, namely to replace the part of the damaged capital provision (depreciation) and additional provision of existing capital (net investment). In the calculation of national income, the meaning of investment is the entire purchase value of entrepreneurs for capital goods and expenditures for establishing industries and the increase in the value of the company's stock of goods in the form of raw materials, unprocessed goods and finished goods.

Investors are government, private, and public-private partnerships. Government investment is generally carried out not with the intention of making a profit, but its main objective is to meet the needs of the community. In general, the private sector is not interested in this investment, because it requires very large costs

and does not provide direct returns, but gradually over a long period of time (Brata, 2003). which is usually driven by increased income.

### **Private Investment**

Almost all economists emphasize the importance of capital formation or investment as a determinant of economic growth. According to Nurkse in Jinghan (2014), the vicious circle of poverty in underdeveloped countries can be overcome by forming capital. Capital formation emphasizes the allocation of a part of the people's productive activities in the manufacture of capital goods such as machines, transportation facilities, factories and their equipment that can increase their productive benefits, so that the existing resources in society can be diverted to increase the supply of capital goods that can be consumed in the future. Therefore, the process of capital formation is very important to do, such as increasing the volume of real savings, allocating savings through financial institutions and investing savings.

### **Government Expenditure**

Government expenditure is the placement of a certain amount of funds and / or goods by the central or regional government in the long term for investment, either in the form of infrastructure development or the purchase of securities and direct investment which is able to return the value of the product plus economic, social and / or other benefits in the long term. certain time.

Meanwhile, according to the theory of government spending put forward by Adolph Wagner, there are five things that cause government spending to always increase, namely the demand for increased security and defense protection; increase in the level of community income; urbanization that accompanies economic growth; democratic development; and the inefficiency of the bureaucracy that accompanies government development (Dumairy, 1997).

### **Overview of Urbanization Theory**

Urbanization can usually be measured by looking at the proportion of the population living in urban areas. To measure the level of urbanization in an area,

usually by calculating the ratio of the number of people living in urban areas to the total population in an area. The rate of urbanization that occurs can be calculated by the following formula:

$$PU = \frac{U}{P} \times 100 \%$$

Where:

U = total population of the city area

P = total population (total population)

PU = Percentage of population living in urban areas

Urbanization is one of the factors that triggers urban development. The occurrence of population movement from villages to cities is caused by various factors, both pull and push factors. The development of industry and commerce in the city is a pull factor which causes many people to come to it. The desire to get a better income to meet the necessities of life is the main cause of urbanization.

Urban environmental impacts related to urbanization include:

- ❖ The city's population growth is so fast, it is difficult to keep up with the city's carrying capacity.
- ❖ Addition of two-wheeled and four-wheeled motorized vehicles that flood the city incessantly, causing various pollutants or pollutants such as air pollution and noise or noise pollution for human hearing.
- ❖ Industrial development in cities or near cities produces industrial waste materials that must be disposed of and various other industrial wastes.

### III. Conceptual Framework

Based on the background, problem formulation, objectives and research uses, a frame of mind is drawn up in which this framework is intended to provide deductive guidance through existing theories, because the theory has a general study that can be used in special cases.

Government spending is a tangible form of government efforts to improve welfare which will have an impact either directly or indirectly on the economy of a

country. So far, the level of effectiveness of government spending can be measured by how much economic growth is.

The success of development in an area is determined not only by the amount of government expenditure, but also by the amount of investment made by the private sector.

Urbanization is one of the triggers for urban development, where the proportion of the population living in urban areas is increasing. The occurrence of population movement from villages to cities is caused by various factors, both pull factors and driving factors.

Based on the above problems, a study is needed to find what factors are likely to be an influence on both private and government investment with the current urbanization occurring in Maros Regency. The flow of the writing framework can be seen in Figure 1 below:

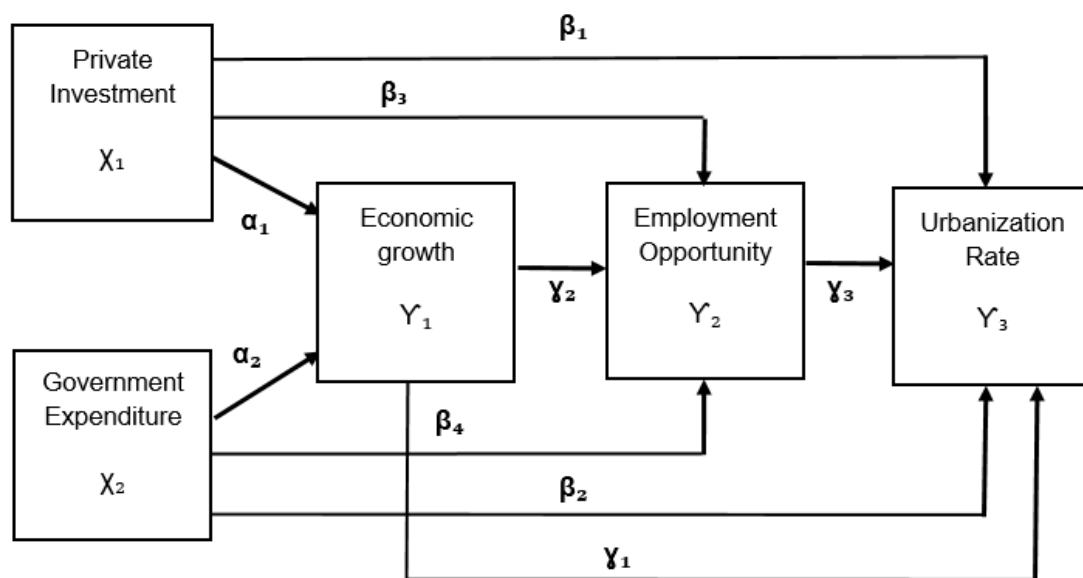


Figure 1. Flow of Mindset

### Hypothesis

The hypothesis is a provisional conjecture from the research conducted. The hypothesis proposed in this study are:

1. Private investment has a significant and positive effect on the level of urbanization, both directly and indirectly through economic growth and job opportunities in Maros Regency.

2. Government spending has a significant and positive effect on the level of urbanization, both directly and indirectly through economic growth and job opportunities in Maros Regency.

#### IV. Research Methods

##### Research Design

The analytical approach method used in this research is explanative research that uses quantitative methods to analyze and test the hypothesis of the effect of the independent variable on the dependent variable. Where the types of variables used are divided into two, namely:

a. Endogenous variables (dependent) are divided into :

- Economic growth ( $Y_1$ )
- Employment Opportunity ( $Y_2$ )
- Urbanization rate ( $Y_3$ )

b. Exogenous variables (independent) are divided into:

- Private investment ( $X_1$ )
- Government spending ( $X_2$ )

The research entitled The Effect of Private Investment and Government Expenditures on the Level of Urbanization in Maros Regency is located in Maros Regency. The time in this study was from March 2019 to December 2019.

##### Method of Analysis

According to Moleong (2018) data analysis is the process of organizing and sorting data into patterns, categories and basic description units so that themes can be found and work hypotheses can be formulated as suggested by the data. At this stage of the analysis, the basic principles of analysis that will be used will be explained.

The analysis technique used as an effort to achieve the study objectives is a quantitative method with a **Stage Multiple Linear Regression** analysis model as follows:

➤ Economic Growth Model

$$Y1 = f(X1, X2)$$

➤ Job Opportunity Model

$$Y2 = f(X1, X2, Y1)$$

➤ Urbanization Level Model

$$Y3 = f(X1, X2, Y1, Y2)$$

## V. Results And Discussion

### Urbanization in Maros Regency

Urbanization is one of the factors that triggers urban development. The desire to get a better income to meet the necessities of life is the main cause of urbanization. The increasing urbanization process cannot be separated from urban policies, particularly the economy developed by the government. This positive relationship between population concentration and economic activity will lead to an increasing population concentration area, giving rise to what is known as an urban area.

Based on Table 1, the increase in urban population is increasing every year where the average percentage of urban population growth is 31% (percent) of the total population in Maros Regency, where in 2002 and 2003 the population growth was below 31% (percent), namely 23.91% (percent) in 2002 and 27.19% (percent) in 2003, while in 2007 and 2008 population growth had reached a percentage rate of 32% (percent), this is indicated because of urban development that leads to north of the island of Sulawesi so that many investors invest in building in Maros Regency which also causes the population growth in Maros Regency to increase.

**Table 1. Population and Urbanization in Maros Regency**

Year	Total Urban Population (people)	Total Population (people)	Percentage of Urban / Urban Population (%)
2002	66.263	277.137	23,91
2003	77.956	286.760	27,19



2004	91.713	289.384	31,69
2005	93.109	296.450	31,41
2006	94.527	297.618	31,76
2007	95.967	299.662	32,03
2008	97.428	303.211	32,13
2009	98.912	310.777	31,83
2010	100.829	319.002	31,61
2011	102.263	322.212	31,74
2012	103.976	325.401	31,95
2013	106.119	331.864	31,97
2014	106.603	335.596	31,77
2015	108.037	339.300	31,84
2016	109.103	342.890	31,82
2017	110.475	346.383	31,89
2018	111.720	349.822	31,94

Source: Central Bureau of Statistics of Maros Regency

### Job Opportunities in Maros Regency

The benchmarks of economic progress, including national income, level of employment opportunity, price level and position of foreign payments (Makmun, 2004). Nationally, the data shows that the economic paralysis of industrialized areas in urban areas has resulted in a decline in the rate of economic growth in rural areas and an increase in unemployment as a result of increasing migrants returning to rural areas. The decline in the economic rate in the village and the increase in the number of workers in the village as well as the increase in consumption prices and production costs in agriculture will clearly reduce the agricultural production capacity produced.

The development of the number of workers in Maros Regency can be seen in the following table:

**Table. 2 Number of Labor Force and TPAK in Maros Regency**

Year	Total Working Population	Unemployment number	Number of Workforce	Employment Opportunity Ratio	Labor Force Participation Rate (TPAK)
	(Jiwa)	(Jiwa)	(Jiwa)	(%)	(%)
2002	101,757	10,008	111,765	91.05	46.37
2003	104,267	4,783	109,050	95.61	45.86
2004	106,839	9,237	116,076	92.04	45.86
2005	109,475	21,833	131,308	83.37	52.97
2006	112,176	15,436	127,612	87.90	52.47
2007	114,943	14,528	129,471	88.78	56.37
2008	117,779	12,164	129,943	90.64	62.30
2009	107,769	14,082	121,851	88.44	57.60

2010	126,605	13,665	140,270	90.26	64.10
2011	132,850	9,930	142,780	93.05	64.93
2012	133,810	9,190	143,000	93.57	64.31
2013	129,866	7,866	137,732	94.29	60.98
2014	141,625	6,759	148,384	95.44	62.97
2015	145,081	10,907	155,988	93.01	65.04
2016	149,886	10,819	160,705	93.27	65.55
2017	154,849	10,731	165,580	93.52	66.06
2018	159,978	10,644	170,622	93.76	66.57

Source: Central Bureau of Statistics of Maros Regency

### Economic Growth in Maros Regency

In 2011 and 2012, the economic growth in Maros Regency has increased quite drastically, reaching 11 percent. This is because in that year development in Maros Regency developed very rapidly not only in the city center but also in remote areas, the development of infrastructure and infrastructure makes it easier for economic players to carry out economic activities, many investors have also started to invest in the Regency. Maros, so that economic growth in that year experienced a significant increase from the previous year. Economic growth in Maros Regency can be seen from the following table:

**Table. 3 Economic Growth in Maros Regency**

Year	GDP Constant Price Based on Expenditures (Rupiah)	Economic Growth (%)
2002	804,247,280,000.00	3.22
2003	835,162,860,000.00	3.84
2004	853,312,590,000.00	2.17
2005	879,861,960,000.00	3.11
2006	918,010,000,000.00	4.34
2007	960,024,920,000.00	4.58
2008	1,013,913,230,000.00	5.61
2009	1,077,477,970,000.00	6.27
2010	7,315,449,700,000.00	12.40
2011	8,137,898,500,000.00	11.24
2012	9,044,451,000,000.00	11.14
2013	9,612,782,100,000.00	6.28
2014	10,067,224,600,000.00	4.73
2015	10,916,728,900,000.00	8.44
2016	11,953,999,200,000.00	9.50
2017	12,768,318,400,000.00	6.81
2018	13,725,465,790,000.00	7.50

Source: Central Bureau of Statistics of Maros Regency (Data Processed, 2019)

### Private Investment in Maros Regency

One of the factors that can advance a country's economy is investment, both private investment and government investment. Investment has become the main goal in recent years because it is considered that investment activities will certainly have a positive effect on economic growth. The impact will be felt directly by local residents because the investment invested by entrepreneurs will turn into a small economic market but it is very binding on economic growth in the region.

Private investment is an economic indicator that has a very important role in the development of a country. Private investment can make up for the shortfall in government investment in development financing. It cannot be denied that the role of private investment is very large in advancing the economy of a country. Likewise in Maros Regency, investment plays an important role in economic development because with the investment made by the private sector, the opportunities for the workforce to get jobs are wide open.

Realisasi investasi swasta di Kabupaten Maros dapat terlihat pada tabel berikut :

**Table. 4 Private Investment in Maros Regency**

Year	Private Investment Realization	Private Investment Growth
	(Rupiah)	(%)
2002	30,550,000,000.00	6.36
2003	23,195,000,000.00	- 0.32
2004	23,195,000,000.00	0.00
2005	23,195,000,000.00	0.00
2006	44,365,000,000.00	0.48
2007	114,675,000,000.00	0.61
2008	687,155,900,000.00	0.83
2009	193,000,000.00	- 3559.39
2010	3,500,300,000,000.00	1.00
2011	7,922,200,000,000.00	0.56
2012	162,644,800,000.00	- 47.71
2013	102,648,447,000.00	- 0.58
2014	167,598,189,000,000.00	1.00
2015	179,784,404,389.00	- 931.22
2016	180,546,768,000.00	0.00
2017	195,202,073,715.00	0.08
2018	281,957,143,832.00	0.31

Source: Maros Regency PTSPPM Office (Data Processed, 2019)

## Pengeluaran Pemerintah di Kabupaten Maros

Government spending is a form of fiscal policy by the government in regulating the course of economic activity in a country. Every country always expects deficit government spending, meaning that government spending is greater than its income. This shows the amount of government expenditure, both direct and indirect expenditures. This policy was carried out by the government to stimulate production activities so as to increase economic growth and increase employment opportunities.

Based on Table 5, government expenditure, in this case the realization of the Maros Regency Regional Budget (APBD) each year has increased significantly.

**Table. 5 Government Expenditure in Maros Regency**

Tahun	Realization of APBD (Rupiah)	APBD growth (%)
2002	157,207,180,000.00	0.10
2003	142,977,270,000.00	- 0.10
2004	209,457,410,000.00	0.32
2005	215,618,370,000.00	0.03
2006	333,287,340,000.00	0.35
2007	441,446,062,000.00	0.25
2008	484,105,751,000.00	0.09
2009	498,315,128,000.00	0.03
2010	524,365,230,000.00	0.05
2011	692,674,591,000.00	0.24
2012	740,059,305,000.00	0.06
2013	899,586,476,000.00	0.18
2014	1,002,593,154,000.00	0.10
2015	1,153,451,854,000.00	0.13
2016	1,153,451,854,000.00	0.00
2017	1,299,649,625,000.00	0.11
2018	1,414,913,465,000.00	0.08

Source: Central Bureau of Statistics of Maros Regency (Data Processed, 2019)

Based on the data previously described, it is known that private investment, government spending, economic growth and job opportunities have a very big role in influencing the level of urbanization in Maros Regency. The increase in private investment, government spending, economic growth and employment opportunities will have a major impact on increasing the rate of population living in urban areas. Government spending and private investment are the foundation for the economy

where the large amount of private investment and government spending in Maros Regency is able to encourage economic activity so that it has a positive impact on economic growth and job opportunities and the level of urbanization in Maros Regency.

**Analysis Results**

The analysis technique used in discussing the problems in this study is the stage multiple linear regression technique. Multiple linear regression is a regression or predictive model that involves more than one independent variable or predictor (independent variable).

**Table 6 Results of Analysis of Direct Variable Relationships**

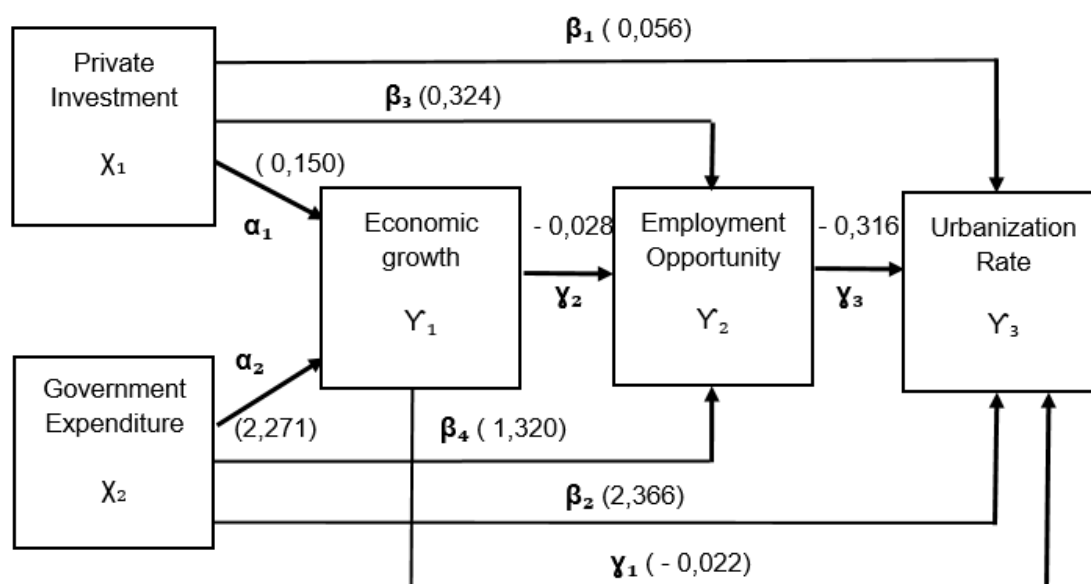
Variable Relationships	Standar Error	Coefficient	t- Count	Probability	Information
(X <sub>1</sub> ) → (Y <sub>1</sub> )	0,246	0,150	0,611	0,551	Not significant
(X <sub>2</sub> ) → (Y <sub>1</sub> )	0,959	2,271***	2,367	0,033	Significant
(X <sub>1</sub> ) → (Y <sub>2</sub> )	0,291	0,324	1,112	0,286	Not significant
(X <sub>2</sub> ) → (Y <sub>2</sub> )	1,330	1,320	0,993	0,339	Not significant
(X <sub>1</sub> ) → (Y <sub>3</sub> )	0,167	0,056	0,333	0,745	Not significant
(X <sub>2</sub> ) → (Y <sub>3</sub> )	0,755	2,366***	3,135	0,009	Significant
(Y <sub>1</sub> ) → (Y <sub>2</sub> )	0,313	- 0,028	- 0,089	0,930	Not significant
(Y <sub>1</sub> ) → (Y <sub>3</sub> )	0,171	- 0,022	- 0,128	0,900	Not significant
(Y <sub>2</sub> ) → (Y <sub>3</sub> )	0,152	- 0,316*	- 2,086	0,059	Significant

Sumber : Lampiran 1 (Data Diolah, 2020)

Keterangan:

- \*\*\* Significant α = 1%
- \*\* Significant α = 5%
- \* Significant α = 10%

Based on the results of the analysis of the direct and indirect effects of private investment and government spending on urbanization through economic growth and employment opportunities in Table 6 above, these results are presented in Figure 2 below:



**Figure 2 Results of Intervariable Functional Relationship Analysis**

## VI. Conclusions and Suggestions

### Conclusions

Based on the results of the research and analysis that has been done, it can be concluded as follows:

1. Private investment directly has a positive effect on urbanization in Maros Regency. Indirect private investment through economic growth and job opportunities has a positive and significant effect on urbanization in Maros Regency.
2. Government spending directly has a positive effect on urbanization in Maros Regency. Government spending indirectly through economic growth and job opportunities has a positive and significant effect on urbanization in Maros Regency.

### Suggestions

To overcome urbanization in Maros Regency, there are several things that should be considered by the government, including:

1. The government as a determinant of fiscal policy needs to consider increasing government spending from previous years. Increased

government spending will encourage increased production capacity so that more jobs are available.

2. The government needs to create a work climate that is labor intensive so that job opportunities will expand. The increase in the workforce from year to year should be a consideration for the government to create jobs that are more labor intensive than capital intensive.
3. Promotion and convenience for private investors in arranging permits can also be considered so that later many investors will invest in Maros Regency.
4. In this study, it still has several weaknesses and shortcomings, such as limited variables used and a short time period so that it shows a short trend. Future researchers are expected to use a longer time period and add other variables, such as inflation, household consumption, and the unemployment rate. Thus, it can provide additional input for the government in making policies in terms of reducing the level of urbanization in Maros Regency.

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