

# THE EFFECT OF DOMESTIC INVESTMENT, FOREIGN INVESTMENT AND GOVERNMENT SPENDING ON ECONOMIC GROWTH, LABOR ABSORPTION AND COMMUNITY WELFARE IN EAST KALIMANTAN PROVINCE

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## Abstract

The purpose of this study was to analyze the effect of domestic investment, foreign investment and government spending on economic growth, employment and social welfare in East Kalimantan Province. The design of this study uses an approach to exploratory research and using a quantitative approach method. The data used is in the form of data time series (2020-2021) and cross section. The sample of this research is 9 districts/cities in East Kalimantan Province. The data analysis technique used is panel data regression analysis which is run using the help of Eviews 9 software. This study has three equations and chooses the best model, namely REM and CEM by carrying out the Chow test, Hausman test and LM test. In the regression equation 1 (economic growth equation), the best model is REM. The result is that domestic investment, foreign investment and government spending simultaneously have no significant effect on economic growth. In the regression equation 2 (employment absorption equation), the best model is REM. The result is that domestic investment, foreign investment, government spending and economic growth simultaneously have no significant effect on employment. In the regression equation 3 (public welfare equation), the best models are REM and CEM, the results are domestic investment, foreign investment, government spending, economic growth and employment simultaneously have a significant effect on people's welfare in East Kalimantan Province. Novelty in this research is the development of a conceptual model by producing 3 equations and adding 3 indicators to strengthen novelty. The results of this study are expected to be used as a reference by further researchers and can be used as reference material in subsequent studies. Suggestions for the regional government of East Kalimantan Province and stakeholder in order to implement inclusive economic development, Green Economy, Blue Economy and Economy Optimally creative with concepts pentahelix to increase and distribute the welfare of the community to achieve the goal of sustainable development in order to increase and distribute the welfare of the community throughout the Province of East Kalimantan.

**Keywords:** Domestic investment, government spending, economic growth, employment and people's welfare

## INTRODUCTION

Community welfare is one of the goals of national development, namely to create a just and prosperous society that is evenly distributed both on an equal basis material and spiritual based on Pancasila, that fact national development is the development of Indonesian people as a whole based on Pancasila and the 1945 Constitution. In relation to the state's aim to prosper its people, the strategy must be well prepared with various indicators that are ensured to be able to prosper society, which outlines nine prerequisite indicators for solving development problems (Arsyad, 2016).

Community welfare shows a measure of the results of community development in achieving a better life including: a) increased ability and equitable distribution of basic needs such as food, increased levels of life, income levels, better education, b) increased attention to culture and human values, c) expanding economies of scale and the availability of social choices from individual and race.

Keynes theory (Arsyad, 2016), that there needs to be a government role in managing the economy to carry out economic activities, especially in terms of fiscal policy. Fiscal policy is a policy originating from the government that affects the economy through changes in government revenues and spending. Government expenditure policies related to activities that can open up employment opportunities to absorb labor that can increase people's income, ultimately affect the improvement of people's welfare. On the other hand, Harrod-Domar's theory states that there is a need for capital formation (investment) to achieve stable economic growth (steady growth), the more capital (investment) then the production of goods and services will increase (increase) so that the country's economy can develop in the long term (Arsyad, 2016).

Economic development policies are implemented to improve people's welfare. Where investment is an economic development policy that is carried out in order to improve people's welfare (Todaro & Smith, 2012). This is in accordance with research conducted by Baldric (2019), Primandani & Yasa (2021), Hugo et al (2022), Raharja & Lestari (2022,) that investment has a positive and significant effect on people's welfare. The results of this study are inconsistent with research conducted by Jumita (2021) which states that domestic investment has a positive and insignificant effect on people's welfare. This is a research gap from the study.

Government spending is very important to encourage optimal economic development, where government spending is a fiscal policy carried out by the government as stipulated in the government's Revenue and Expenditure Budget which is increasing over time which must be carried out efficiently, effectively and accountability in order to equitably improve people's welfare. This is in line with Wagner's opinion that government spending and government activities are increasing over time (Mangkoesebroto, 2014).

Government spending (government expenditure) is part of fiscal policy, namely a government action to regulate the course of the economy through budgetary instruments (Sukirno, 2013). The results of research conducted by Olasokan (2022), that government spending has a significant effect on people's welfare. The results of this study are inconsistent with the results of research conducted by Nainggolan et al (2022), Claudia et al (2022) which states that government spending has no effect on public welfare (IPM). This is a research gap from the study. The high rate of economic growth (economic growth) Indonesia is not directly proportional to the level of people's welfare, because economic growth does not directly describe people's welfare. Therefore, the real indicator of people's welfare is not economic growth but Gross Domestic Product (GDP) which calculates the amount of consumption, investment, government spending (government spending), the amount of imports and exports.

Economic growth, according to Neokeynes (Jhingan, 2012) that national economic growth is influenced by capital, demand and investment. Economic growth can be interpreted as the development of economic activity which causes the goods and services produced by society to increase (Sukirno, 2013). Economic growth affects people's welfare, this is in accordance with research conducted by Anam et al (2021), states that economic growth affects people's welfare.

Todaro's opinion (2011), employment absorption is the acceptance of labor to perform tasks or jobs or a situation that describes the availability of jobs to be ready to be filled by job seekers (jobs). In general, the absorption of labor shows how much a company absorbs labor to produce a product.

East Kalimantan Province as one of the richest regions in Indonesia, is rich in natural resources, including mining (coal), oil and gas, forestry, plantations (oil palm, and others).etc), fishery (marine/maritime) agriculture, as well as nature tourism as tourism development. The Human Development Index (IPM) of East Kalimantan Province in the 2021 period is 76.88 higher than the National Human Development Index (IPM). The Human Development Index (IPM) for East Kalimantan Province has been the third highest nationally for four consecutive years after DKI and DI Yogyakarta during the 2018-2021 period. The Human Development Index (IPM) in East Kalimantan Province from the 2010-2021 period has a high status, this shows that the success of economic development with improved economic performance in East Kalimantan Province so that it can improve human development, especially in per capita expenditure which shows an increasing trend, but income inequality in society Still relatively high.

This is a problem that is deeply felt by both the government and the people in East Kalimantan Province, as well as the even distribution of improvements in people's welfare which is still relatively low, when compared to that of East Kalimantan Province which is one of the richest provinces in Indonesia, this must get solutions to these problems. Problems that arise. From the phenomena as well as the research gap that has been mentioned before, that is the reason for the author to examine these problems.

In addition, the authors also add 3 (three) indicators to measure community welfare in a multidimensional manner and to strengthen its novelty in this research. Community welfare is very important as one of the objectives of economic development and national development. Therefore, the authors consider it important to research the welfare of the people in East Kalimantan Province which is still not evenly enjoyed by all levels of society, even though East Kalimantan Province is one of the richest regions in Indonesia. Community welfare is one of the goals of development and is still relevant, important and up to date to be researched and discussed is not only the problem of improving the welfare of the community but must be accompanied by an even distribution of increased social welfare that can be enjoyed by all levels of society as goal setting from inclusive economic development and national development to realizing a just and prosperous society that is materially and spiritually equitable based on Pancasila.

**Table 1: Development of Community Welfare (IPM) throughout the Province of Kalimantan and Nationally for the 2019-2021 period**

Province	2019	2020	2021
East Kalimantan	76,61	76,24	76,88
North Kalimantan	71,15	70,63	71,19
South Kalimantan	70,72	70,91	71,28
West Kalimantan	67,65	67,66	67,79
Central Kalimantan	70,91	71,05	71,05
National	71,92	71,94	72,29

Source: BPS, DJP East Kalimantan Province

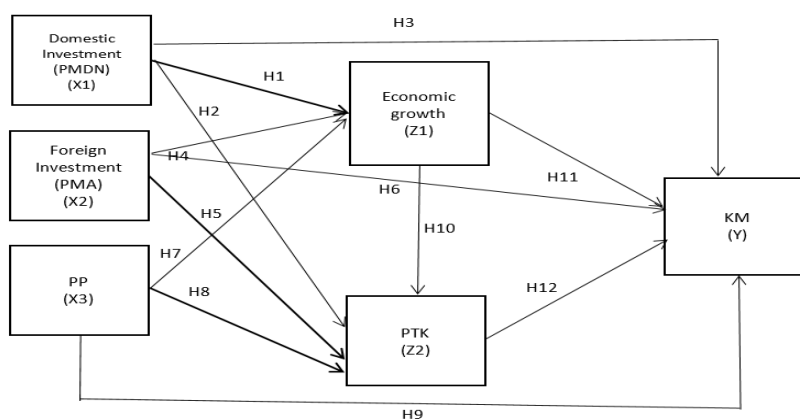
From Table 1. it can be seen that the Human Development Index (IPM) of East Kalimantan Province is the highest in all Kalimantan Provinces and even higher than the Human Development Index (IPM) in the National

**Table 2. Gini Index (Gini Ratio) in Kalimantan Province and National Period**

Gini Index (Gini Ratio)	2019	2020	2021
East Kalimantan	0,335	0,335	0,331
North Kalimantan	0,292	0,300	0,285
South Kalimantan	0,334	0,351	0,325
West Kalimantan	0,318	0,325	0,315
Central Kalimantan	0,335	0,320	0,320
National	0,320	0,385	0,384

Source: BPS 2019-2021

From Table 2. It can be seen that income inequality in East Kalimantan Province is the highest in all Kalimantan Province in the 2019-2021 period, but in 2019, the Gini Index for East Kalimantan Province is higher from National.



**Figure 1: Research Conceptual Framework**

## **Hypothesis**

H<sub>1</sub>: Domestic investment has a significant effect on economic growth.

H<sub>2</sub>: Domestic investment has a significant effect on employment.

H<sub>3</sub>: Domestic investment has a significant effect on the welfare public.

H<sub>4</sub>: Foreign investment has a significant effect on economic growth.

H<sub>5</sub>: Foreign investment has a significant effect on employment.

H<sub>6</sub>: Foreign investment has a significant effect on people's welfare.

H<sub>7</sub>: Government spending has a significant effect on economic growth.

H<sub>8</sub>: Government spending has a significant effect on employment work.

H<sub>9</sub>: Government spending has a significant effect on welfare public.

H<sub>10</sub>: Economic growth has a significant effect on employment.

H<sub>11</sub>: Economic growth has a significant effect on welfare public.

H<sub>12</sub>: Labor absorption has a significant effect on welfare public.

## **RESEARCH METHODS**

### **Research design**

This study uses the approach of explanatory research and quantitative. Sugiyono (2016), quantitative research is a type of research with specifications systematic, planned and clearly structured from start to finish of the research design.

### **Population and Sample**

In this study, the census method was used, namely the entire population was sampled, but only 9 districts/cities in East Kalimantan Province were used as samples in this study. This is because 1 district (Mahakam Ulu) was not included in the research data analysis, because it is a new division area so that the data needed in the research is still incomplete for 10 regencies/cities. The research location is located in the province of East Kalimantan.

### **Data analysis technique**

The analysis technique used in this research is panel data regression analysis and by using Eviews 9 software in hypothesis testing.

## **RESULT AND DISCUSSION**

### **Result**

Panel regression model selection test, consisting of Common Effect Model (CEM), Fixed Effect Model (FEM) or Random Effect Model (REM), and (4) the results of the panel data

regression analysis of three equations, namely the economic growth equation (equation 1), the labor absorption equation (equation 2) and the social welfare equation (equation 3). Community welfare equality will be measured by the Human Development Index (IPM), Gini Index (Gini Ratio), per capita income, and per capita expenditure.

**Model Selection Test Results**

<b>Model</b>	<b>Chow test</b>	<b>Hausman test</b>	<b>LM test</b>	<b>Model Decision</b>
1	Prob. = 0,0027	Prob. = 0,9201	Prob. = 0,0000	Random Effect
2	Prob. = 0,0000	Prob. = 0,8342	Prob. = 0,0000	Random Effect
3a	Prob. = 0,0000	Prob. = 0,8562	Prob. = 0,0000	Random Effect
3b	Prob. = 0,1009	Prob. = 0,0331	Prob. = 0,8407	Common Effect
3c	Prob. = 0,0000	Prob. = 0,4423	Prob. = 0,0000	Random Effect
3d	Prob. = 0,0000	Prob. = 0,6118	Prob. = 0,0000	Random Effect
Note: Model 1 : Model of the influence of PMDN, PMA, dan PP terhadap PE Model 2 : Model of PMDN, FDI, PP, and PE influence on PTK Model 3a : Model of the influence of PMDN, PMA, PP, PE, and PTK on HDI Model 3b : Model of the influence of PMDN, PMA, PP, PE, and PTK on GINI Model 3c : Model of the influence of PMDN, PMA, PP, PE, and PTK on PDPK Model 3d : Model of the influence of PMDN, PMA, PP, PE, and PTK on PGPK				

Source: Data processed

Note:

PMDN : Domestic Investment (Domestic Investment)

PMA : Foreign Investment (Foreign Investment).

PP : Government Expenditures

PE : Economic growth.

PTK : Labor Absorption.

Community Welfare is measured by:

IPM : Indeks Pembangunan Manusia.

Gini : Gini Ratio (Gini Index).

PDPK : Income per capita.

PGPK : Expenditures per capita.

Combined results of model selection test with Chow Test, Hausman Test and the Lagrange Multiplier Test ( LM Test) shows in the 1st regression model, the appropriate model to use is Random Effect Model (REM); in the 2nd regression model, the appropriate model is also used Random Effect Model (REM); in the 3a regression model, the right model is Random Effect Model (REM), in the 3b regression model, the appropriate model to use is Common Effect

Model (CEM), in the 3c regression model, the right model to use is Random Effect Model (REM), on models regression to 3d, the appropriate model used is Random Effect Model (REM).

### Results of Hypothesis Testing Path Influence on Economic Growth

Hip.	Variabel Independen	Dependent Variables: Economic Growth (Z <sub>1</sub> ) - (persen)			
		Coefficient	S.E.	t-statistic	Prob.
H <sub>1</sub>	Domestic Investment (X <sub>1</sub> ) (millionRp)	-1,50E-07	1,75E-07	-0,8583	0,3927 <sup>n.s</sup>
H <sub>2</sub>	Foreign Investment (X <sub>2</sub> ) (thousandUS\$)	-3,57E-06	1,95E-06	-1,8365	0,0691 <sup>n.s</sup>
H <sub>3</sub>	Government Spending (X <sub>3</sub> ) (thousandRp)	-1,35E-10	3,56E-10	-0,3784	0,7059 <sup>n.s</sup>
F-statistic = 1,3046		Prob. (F-statistic) = 0,2769 <sup>n.s</sup>			
R-square = 0,0363		Adjusted R-squared = 0,0085		R = 0,1905	
Estimation of the regression coefficient by approximation Random Effect Model (REM)					
* : significant at the 0,05 level                      n.s. : not significant at the 0,05 level					

Source: Data processed

In equation 1 (Economic Growth), domestic investment, foreign investment and government spending simultaneously have no significant effect on economic growth.

### The results of the Pathway Influence Hypothesis Test on Labor Absorption

Hip.	Independent Variable	Dependent Variables: Labor absorption (Z <sub>2</sub> ) (persen)			
		Koefisien	S.E.	t-statistic	Prob.
H <sub>4</sub>	Domestic Investment (X <sub>1</sub> ) (millionRp)	2,83E-09	1,20E-07	0,0236	0,9813 <sup>n.s</sup>
H <sub>5</sub>	Foreign Investment (X <sub>2</sub> ) (millionRp)	-8,13E-08	1,18E-06	-0,0677	0,9461 <sup>n.s</sup>
H <sub>6</sub>	Government Spending (X <sub>3</sub> ) (thousandRp)	-4,71E-10	1,80E-10	-2,6181	0,0102*
H <sub>7</sub>	Economic Growth (Z <sub>1</sub> ) (thousandRp)	0,0141	0,0568	0,2487	0,8041 <sup>n.s</sup>
F-statistic = 1,6892		Prob. (F-statistic) = 0,1582 <sup>n.s</sup>			
R-square = 0,0616		Adjusted R-squared = 0,0251		R = 0,2482	
Estimation of the regression coefficient by approximation Random Effect Model (REM)					
* : significant at the 0,05 level                      n.s. : not significant at the 0,05 level					

Source: Data processed

In equation 2 (Absorption of Labor), domestic investment, foreign investment, government spending and economic growth simultaneously have no significant effect on employment.

### Results of the Pathway of Influence Hypothesis Test on Community Welfare

Hip.	Independent Variable	Variabel Dependen: Kesejahteraan masyarakat (Y)							
		Human Development Index (persen) <sup>(a)</sup>		GINI ratio (rasio) <sup>(b)</sup>		Income per capita (juta Rp) <sup>(a)</sup>		Per Capita Production (juta Rp) <sup>(a)</sup>	
		$\beta$	Prob.	$\beta$	Prob.	$\beta$	Prob.	$\beta$	Prob.
H <sub>8</sub>	Domestic Investment (X <sub>1</sub> ) (millionRp)	1,69E-07	0,0123*	6,58E-10	0,7768 n.s	6,20E-06	0,0882 n.s	6,15E-08	0,0117*
H <sub>9</sub>	Foreign Investment (X <sub>2</sub> ) (thousandUS\$)	-9,83E-07	0,2026 n.s	-4,70E-09	0,8375 n.s	3,95E-05	0,2692 n.s	-5,19E-07	0,0636 n.s
H <sub>10</sub>	Government Spending (X <sub>3</sub> ) (thousandRp)	1,13E-10	0,4081 n.s	2,88E-12	0,4209 n.s	8,88E-09	0,1128 n.s	3,04E-11	0,5367 n.s
H <sub>11</sub>	Economic Growth (Z <sub>1</sub> ) (percent)	-0,1619	0,0000*	-0,0039	0,0002*	-4,6907	0,0042*	-0,0442	0,0001*
H <sub>12</sub>	Labor Absorption (Z <sub>2</sub> ) (percent)	-0,0931	0,1241 n.s	-0,0024	0,1816 n.s	8,7217	0,0024*	-0,0311	0,1542 n.s
	F-statistic	9,5590		4,0241		5,1508		6,9579	
	Prob. (F-statistic)	0,0000*		0,0023*		0,0003*		0,0000*	
	R	0,5649		0,4060		0,4490		0,5043	
	R-square	0,3191		0,1648		0,2016		0,2543	
	Adjusted R-squared	0,2857		0,1238		0,1625		0,2178	
(a) Estimation of the regression coefficient by approximation Random Effect Model (REM)									
(b) Estimation of the regression coefficient by approximation Common Effect Model (CEM)									
* : significant at the 0,05 level n.s. : not significant at the 0,05 level									

Source: Data processed in equation 3 (Public Welfare), domestic investment has a positive and significant effect on people's welfare, seen in the Human Development Index and expenditure per capita in East Kalimantan Province; foreign investment has a negative and insignificant effect on people's welfare, seen in the Human Development Index, Gini Index (Gini Ratio) and spending per capita, while having a positive and significant effect seen in income per capita; government spending has a positive and insignificant effect on people's welfare, seen in the Community Development Index, Gini Ratio, per capita income and per capita expenditure; economic growth has a negative and significant effect on people's welfare, seen in the Human Development Index, Gini Ratio, per capita income and per capita expenditure; absorption of labor has a positive and significant effect on people's welfare, seen in income per capita. Thus, in equation 3 (public welfare), domestic investment, foreign investment, government spending, economic growth and employment simultaneously have a significant effect on people's welfare in East Kalimantan Province.

### Discussion

In equation 1 (Economic Growth), domestic investment, foreign investment and government spending simultaneously have no significant effect on economic growth in East Kalimantan Province, this is due to, among other things, the inaccuracy of domestic investment targets, foreign investment and government spending, not yet optimal utilization of renewable natural resources, inequality in the structure of the economy, an imbalance in the amount of government spending on sectoral contributions, a gap in natural resources owned by regencies/cities in East Kalimantan Province, not yet optimal support for infrastructure management and legal certainty in doing business and exists refocusing the budget for handling health, social safety nets and the economic impact due to the Covid 19 pandemic. This is in



accordance with Keynes's opinion (Arsyad, 2016) which states that the level of economic activity is not determined by capital formation, even the role of capital formation or investment in Keynes's theory, ignored. Keynes argued that to manage economic activities, it cannot be left entirely to the private sector because the private parties only think for the benefit of their own profit (profit oriented). Keynesian theory states that society is the main component for driving economic growth which is heavily influenced by government policies.

The theory of economic growth according to Keynesian theory is that consumption by other people in the economy will become income for other people in the same economy. Meanwhile, the theory of economic growth according to Harrod-Domar where the economic growth model is a development of Keynesian theory (Jhingan, 2012). Harrod-Domar growth theory submit that there is a need for capital formation (investment) to achieve steady economic growth (steady growth), the more capital (investment) the production of goods and services will increase (increase) so that the country's economy can develop in the long term (Arsyad, 2016). This is in accordance with research conducted by Lopian et al (2022), Ogunjinmi (2022), Chinweokwu et al (2020), Miao et al (2020), Husin (2022).

In equation 2 (Absorption of Labor), domestic investment, foreign investment, government spending and economic growth simultaneously have no significant effect on employment absorption, this is due to an imbalance in the realization of domestic investment, foreign investment in districts/cities, investment domestic and foreign investment that has not been on target (the majority of investment is still in the mining sector which is capital-intensive not labor-intensive), different policies in each local government in attracting domestic investors in leading sectors that are right on target especially for investment which are labor-intensive in regencies/cities in East Kalimantan Province, apart from that the fluctuating economic growth also affects employment. This is because investors (private) will be more concerned with using capital-intensive technology using high and effective technology to gain profit for them (profit oriented) in investing their capital, compared to using labor-intensive which is considered inefficiency. In line with Romer's opinion (Mankiw, 2012), namely investment is as physical capital which is intended to help increase technological progress and in the future this capital will have a positive impact on the development of new ideas or innovations as well as new skills for the workforce. A different view from Keynes (Arsyad, 2016), in economic (economy) activities there needs to be government intervention to regulate and manage economic development activities, to regulate the course of the economy, because if the economy is regulated (handed over) by activities in the free market then will have an impact on employment opportunities, employment opportunities and absorption of labor as well as economic stability. Government spending has a significant effect on employment, this is due to the priority composition of government spending, regional conditions (regional heterogeneity), development priority scale in regencies/cities in East Kalimantan Province. This is mainly in government spending on infrastructure development which can create jobs, employment opportunities and employment, in addition to other development activities that support and encourage economic development. One of the monumental infrastructure developments is the construction of the BALSAM (Balikpapan-Samarinda) toll road which is the first toll road construction in East Kalimantan Province and the first toll road on Kalimantan

Island. This is in accordance with Wagner's theory of government spending (Mangkoesoebroto, 2014), which states that government spending is increasing over time, Wagner mentions that the law always increases the role of government, mainly because the government has to regulate relationships that arise in society, law, education, recreation, culture and so on. Keynes opinion (Sukirno, 2016) that economic activity requires intervention (the role of the government) in terms of fiscal policy. Fiscal policy, namely in the form of government spending, especially on infrastructure development activities that can create jobs, employment opportunities and absorption of labor which can ultimately affect people's income which can later be used for consumption (shopping). This is in accordance with research conducted by Putra (2021), Liana et al (2020), Suwar et al (2021), Suwardi (2022), Ginting & Widyawati (2022).

Equation 3 (Public Welfare), domestic investment, foreign investment, government spending, economic growth and employment simultaneously have a significant effect on people's welfare in East Kalimantan Province. This is because the empirical results of domestic investment can effectively encourage the acceleration of the increase in the Human Development Index and spending per capita. This is in line with the opinion of Todaro (2011), that this economic development policy is implemented to improve people's welfare. Domestic investment has a positive and insignificant effect on people's welfare on the Gini Index (Gini Ratio) and income per capita, where if domestic investment increases, the Gini Index and income per capita also increase, and vice versa. This is due to imbalances in natural resources in regencies/cities in East Kalimantan Province, regional disparities, inequality in domestic investment realization, domestic investment is still dominated by the mining and quarrying (oil and gas) sector, especially coal mining. This is in accordance with the results of research conducted by Hugo et al (2022), Baldric (2019), states that investment has a positive and significant effect on people's welfare.

Meanwhile, the effect of foreign investment on people's welfare can be seen from the Gini Index, although it is not significant, the effect is known to be negative, so that increased foreign investment will reduce income inequality, which can have an impact on equal distribution of income and increase in people's incomes which will ultimately affect to the level of community welfare in East Kalimantan Province. This is due to inequality in natural resources, inequality in the realization of foreign investment, differences in policies and strategies in attracting foreign investors to be able to invest in regencies/cities in East Kalimantan Province. This is in accordance with research conducted by Rifai (2022), stating that foreign investment has no effect on the Human Development Index (public welfare), Jumita (2021), states that investment has no effect on people's welfare. Government spending has a positive and insignificant effect on people's welfare, seen in the Human Development Index, Gini Ratio, per capita income and per capita expenditure. This is due to an imbalance in government spending resulting in regional disparities, less effective, efficient and accountable, especially those related to activities for infrastructure development which can create jobs, employment opportunities and absorb labor which will be able to increase people's incomes and can encourage increase in public consumption (expenditure). Apart from that, it is also to encourage optimal economic development, so as to encourage the achievement of inclusive economic development, by

suppressing the value of the Gini Index (Gini Ratio) which will ultimately have an impact on increasing the standard of living of the people and the distribution of social welfare that can be enjoyed by all levels of society in East Kalimantan Province.

To suppress income inequality and equal distribution of income so that an increase in people's welfare can be achieved and can be enjoyed by all levels of society, not only certain groups (certain layers of society) in East Kalimantan Province. It is necessary to make optimal efforts to improve the people's economy by giving a priority scale of the portion of government spending on activities that can encourage the improvement of the people's economy including policies that are more supportive of the growth of the real sector which can absorb more workers, optimizing the development of cooperatives, Micro, Small and Medium Enterprises, which are the pillars of economics and pillars of economics, creative economy, green economy, blue economy, with draft pentahelix for the improvement and equity of community welfare to achieve sustainable development goals (Sustainable Development Goals/SDGs), especially in welcoming the National Capital City (IKN) which is in East Kalimantan Province, while still taking into account local wisdom in East Kalimantan Province. The results of this study accept the results of research conducted by Lescano & Gallo (2022), based on the direction of influence of the relationship stating that government spending has a positive effect on the Human Development Index (public welfare). Claudia et al. (2022), states that government spending has no effect on the Human Development Index (public welfare). Meanwhile, research results have not yet been found on the effect of government spending on people's welfare (measured by the Gini index, per capita expenditure and per capita income).

Economic growth has a negative effect and significance on people's welfare, seen in the Human Development Index, Gini Ratio, per capita income and per capita expenditure in East Kalimantan Province. This is due to the declining trend of economic growth accompanied by an increase in the Human Development Index, Gini Ratio, per capita income and per capita expenditure in districts/cities in the Province of East Kalimantan. The downward trend in economic growth is also accompanied by an increase in the Gini Ratio, so that income inequality will be even greater in East Kalimantan Province. The existence of economic growth has a large impact on enhancing community welfare, due to economic growth which is closely related to economic activities, which can open up employment opportunities, employment opportunities and absorption of labor which has an impact on increasing people's income in East Kalimantan Province. Where economic growth is considered successful or not false if it has an impact on the opening/expansion of jobs, employment opportunities and employment so that there is an increase in people's income, thereby reducing the number of unemployment and the level of poverty so that people's purchasing power (consumption) can also increase. Increasing people's purchasing power as a measure of the level of people's welfare. This is in line with Keynes' theory, which assumes that the expansion (increase) of government spending (government spending) can accelerate economic growth, where Keynes believes that relatively high government spending causes an increase in aggregate demand which ultimately increases economic growth (Mangkosoebroto, 2014). According to Keynesian theory, Keynesian economy focuses on using active government policies to manage aggregate demand to overcome or prevent economic recession. The theory of economic growth according to

Keynesian theory is that consumption by other people in the economy will become income for other people in the same economy (Arsyad, 2016). The results of this study are consistent (accept) with the results of research conducted by Mahmutet al (2022), Hugo et al (2022), stating that economic growth has a significant effect on people's welfare. Absorption of labor has a positive and significant effect on people's welfare, seen in income per capita. This shows that the higher the absorption of labor, the income per capita also increases, and vice versa. Thus, it is proven that employment is able to encourage an increase in per capita income and has a large impact on per capita income in districts/cities in East Kalimantan Province. Meanwhile, employment absorption has no significant effect on people's welfare on the Human Development Index, Gini Ratio and expenditure per capita with the direction of the influence of the relationship being negative. Thus, a decrease in employment is accompanied by an increase in the Human Development Index, Gini Ratio, and spending per capita, and vice versa. Empirical conditions show that an increase in the Gini Ratio means that there is quite high-income inequality and inequality in the distribution of income in East Kalimantan Province. The results of this study are in accordance with the results of research conducted by Pratiwi (2019), Putri et al (2019), Mahendra & Arka (2019), which states that employment has an effect on people's welfare. While no research has been found on the effect of employment on social welfare (measured by the Gini Ratio, per capita income and per capita expenditure).

## CONCLUSION

The results of the panel data regression analysis provide estimation results of 3 equations, namely equation 1 is the equation of economic growth, equation 2 is the equation of employment and equation 3 is the equation of social welfare. Based on the test results for selecting the best model, namely in equation 1 using Random Effect Model (REM), equation 2 uses Random Effect Model (REM), equation 3a using Random Effect Model (REM), equation 3b uses Common Effect Model (CEM), equation 3c using Random Effect Model (REM), 3d equations using Random Effect Model (REM).

In equation 1 (economic growth), the regression results of the influence of domestic investment, foreign investment and government spending, simultaneously have no significant effect on the growth economy in East Kalimantan Province.

In equation 2 (absorption energy work), the regression results of the influence of domestic investment, foreign investment, government spending and economic growth, simultaneously have no significant effect on employment in East Kalimantan Province.

Equation 3 (public welfare), the regression results of domestic investment, foreign investment, government spending, economic growth and employment, simultaneously have a significant effect on people's welfare in East Kalimantan Province.

## Suggestion

For local government of East Kalimantan Province and stakeholder in order to implement inclusive economic development, Green Economy, Blue Economy and Economy Optimally creative with concepts pentahelix for increasing and equalizing the welfare of the community

to achieve the goal of sustainable development in order to increase and distribute the welfare of the people in all areas of the Province of East Kalimantan.

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