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Foreign Investment and Domestic Investment and Population Number on Economic Growth and Prosperity Level in Berau District

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Abstract The aim to be achieved through this research is analyzing and knowing the Effect of Foreign Direct Investment and Domestic Direct Investment with Total Population on Economic Growth and Welfare in Berau Regency. by using analysis path. This study is causality, which analyzes the effect of variables Independnt on the variables Dependent. The variables used are variables of Foreign Direct Investment and Domestic Direct Investment with Total Population on Economic Growth and Welfare in Berau Regency. He data used in this study are the secondary time series data from 2010 to 2017 sourced from the Provincial BPS and other sources in the Provincial Government of East Kalimantan. The data that has been collected is then analyzed quantitatively and qualitatively to provide the proposed hypothesis by using analysis path. The results show that the Foreign Direct Investment has a negatif and not significant on Economic Growht. Domestic Direct Investment has a positive and not Significant on Economic Growht. Total Population has a negatif and not significant on Economic Growth. Foreign Direct Investment has a positive and significant on Welfare. Domestic Direct Investment has a positive and not significant on Welfare. Total Population has a positive and significant on Welfare. Economic Growth has a positive and not significant on Welfare.

Keywords : Foreign, Investment, Domestic, Population, Economic, Welfare

1. INTRODUCTION

One of the indicators often used by a country to assess the success of its economic development is economic growth. Economic development with the aim of increasing economic growth and improving the welfare of the population is a benchmark for the success of a country. Indonesia, as a developing country, initially tried to be independent in the economic sector. However, this could not last long. Many factors, especially the rapid pace of globalization, required rapid economic development. So that in the end Indonesia began to open good relations with other nations in order to support its economic development.

Economic growth is a long-term economic problem of a country. Economic growth measures the achievements of the development of an economy from one period to the next. From one period to another, a country's ability to produce goods and services will increase due to production factors that always experience an increase in quantity and quality. According to Sukirno (2004) in macro analysis, the level of economic growth achieved by a country is measured by the development of real national income achieved by a country/region.

A country's economic growth is generally supported by the economic growth generated by each region. Regional economic growth can be seen from the value of Gross Regional Domestic Product (GRDP). Similar to GDP, the benchmark for GRDP is the value of goods

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and services produced in a certain year using production factors owned by the region. This GRDP value will indicate the level of progress of regional development.

Regional development is an integral part of national development which is implemented based on the principle of regional autonomy and the regulation of national resources which provide opportunities for increasing democracy and regional performance to improve the welfare of the community towards a civil society free from collusion, corruption and nepotism. The implementation of regional autonomy basically aims to streamline all policies related to regional affairs, with the hope that the policies taken can be more targeted and able to produce greater benefits for each region, so that they can experience accelerated economic growth from year to year. It is hoped that with the implementation of regional autonomy, economic growth will be better than before.

Gross Regional Domestic Product (GRDP) based on constant prices in 2000, in 2011 amounted to 4,967.3144 billion rupiah while in 2010 it was 4,602.1688 which means an increase or increase of 365.1457 billion rupiah or a growth of 7.93 percent. Positive growth indicates an increase in the production of goods and services in the region. The nominal value of GRDP is the amount of added value from each economic sector (GRDP at current prices) and is used to determine the economic potential of a region in managing Natural Resources (SDA) and Human Resources (HR). While the rate of economic growth is one indicator of the level of success of development in a region in a certain period and to measure the economic performance of a region in a certain period. The Human Development Index (HDI) is very important because it emphasizes humans as agents of change in the development process of a country. If the influence of Foreign Investment (PMA), Domestic Investment (PMDN), and the number of productive age population on economic growth can be known, then improvements in welfare levels can be accelerated. The novelty of this study from previous researchers lies in the investment variable which is divided into 2 types (PMA and PMDN). In addition, there are still limited studies that link investment components, population, and economic growth to the HDI as the final output, so that it will be an interesting note or implication for government policy. Supporting data of 15 years is also considered a varied addition, because it is necessary to know that the more observations used, the more interesting the statistical results will be to study.

2. LITERATURE REVIEW

Economic Growth

The definition of economic development used as a guideline in this study is defined as a process that causes the real per capita income of a country or region's population in the long term accompanied by improvements in the institutional system (Arsyad 1999:6).

Capital Investment

Capital Investment or Investment is the expenditure of capital investment or companies to purchase capital goods and production equipment to increase the ability to produce goods and services available in the economy (Sukirno, 2004:121).

Population Theory

The theory of population according to the Malthusian model put forward by Mankiw (2006:230), shows that the increasing population will continue to burden the ability of society to meet its own needs. Malthus also showed that population growth will burden the natural resources needed to produce food. So in essence, population growth is considered a threat to improving living standards.

Workforce

Not all residents of a country are categorized as workers, because among the population there are groups of residents who are less able to produce goods and services, such as children under working age.

3. RESEARCH METHODS

Data analysis using path analysis method, this model is also known as the cause and effect model, it is based on the reason that path analysis allows testing the theoretical potential of cause and effect relationships without manipulating the variables.

Path analysis is part of regression analysis used to analyze the causal relationship between variables where the independent variables affect the dependent variable either directly or indirectly through one or more intermediary variables (Sarwono, 2006:147).

4. RESEARCH RESULTS AND DISCUSSION

Structure 1

Furthermore, the significance and influence of the independent variables partially on the dependent variables are constant, in the following table:

Table 1. Variable Y_1 (Economic growth) Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	555.820	489.990		1.134	.320
Foreign investment	-.459	6.610	-.050	-.069	.948
Domestic Investment	1.086	8.193	.071	.133	.901
Total population	-104.138	103.770	-.599	-1.004	.372

a. Dependent Variable: Economic growth

So the structural equation that explains the influence of variables X1 and X2 and X3 on Y1 can be formed as follows:

$$Y_1 = (-0,459)\ X_1 + 1,086\ X_2 + (-104,138)\ X_3 + \mathcal{E}1$$

$$Y_1 = (-0,459)\ X_1 + 1,086\ X_2 + (-104,138)\ X_3 + 0,584\ \mathcal{E}1$$

Path analysis hypothesis testing, which is tested partially for variables that have a direct effect, both between endogenous variables and exogenous variables. The test carried out is the t test (critical ratio), tcount> ttable or significant <0.05 then the hypothesis is accepted (rejecting H0 and accepting H1) or tcount<ttable significant value 0.05 then the hypothesis is rejected (accepting H0 and rejecting H1).

Structure 2

Furthermore, the significance and influence of the independent variables partially on the dependent variables constantly can be seen in the following table:

Table 2. Variable Y_2 (Human Development Index)

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	-184.558	17.311		-10.661	.002
	Foreign investment	.650	.203	.237	3.200	.049
	Domestic Investment	.310	.252	.068	1.227	.307
	Total population	46.989	3.568	.911	13.170	.001
	Economic growth	.038	.015	.130	2.503	.087

a. Dependent Variable: Human Development Index (HDI)

So the structural equation that explains the influence of variables X1, X2 and X3 and Y1 on Y2 can be formed as follows:

$$Y2 = 0.650\ X1 + 0.310\ X2 + 46.989\ X3 + 0.038\ Y1 + \varepsilon 2$$

$$Y2 = 0.650\ X1 + 0.310\ X2 + 46.989\ X3 + 0.038\ Y1 + 0.005\ \varepsilon 2$$

In Table 2. Path analysis hypothesis testing, which is tested partially for variables that have a direct effect, both between endogenous variables and exogenous variables. The test carried out is the t test (critical ratio), tcount> ttable or significant <0.05 then the hypothesis is accepted (rejecting H0 and accepting Hi) or tcount <ttable significant value> 0.05 then the hypothesis is rejected (accepting H0 and rejecting Hi).

4. CONCLUSION

Based on the results of the analysis, discussion and hypothesis testing, several conclusions can be drawn as follows: Foreign Investment has been proven to have a negative and insignificant effect on Economic Growth in Berau Regency. This can be interpreted that when Foreign Investment increases, it will decrease Economic Growth but not significantly. Domestic Investment has been proven to have a positive and insignificant effect on Economic Growth in Berau Regency. This can be interpreted that when Domestic Investment increases, it will increase Economic Growth but not significantly. Population has been proven to have a negative and insignificant effect on Economic Growth in Berau Regency. This can be interpreted that when Population increases, it will decrease economic growth but not significantly. Foreign Investment has been proven to have a positive and significant effect on the level of welfare in Berau Regency. This can be interpreted that when Foreign Investment increases, it will increase the level of welfare but not significantly. Domestic Investment has been proven to have a positive and insignificant effect on the level of welfare in Berau Regency. This can be interpreted that when Domestic Investment increases, it will increase the level of welfare but not significantly. Population has been proven to have a positive and significant effect on the level of welfare in Berau Regency. This can be interpreted as when the Population increases, it will increase the level of welfare but significantly. Economic Growth has been proven to have a positive and insignificant effect on the level of welfare in Berau Regency. This can be interpreted as when Economic Growth increases, it will increase the level of welfare but not significantly. The effect of Foreign Investment (X1) on the level of welfare (Y2) through Economic Growth (Y1) has a positive and insignificant effect. This means that every increase in Foreign Investment will indirectly be able to increase the level of welfare through Economic Growth but not significantly. The effect of Domestic Investment (X2) on the level of welfare (Y2) through Economic Growth (Y1) has a positive and insignificant effect. This means that every increase in Domestic Investment will indirectly be able to increase the level of welfare through Economic Growth but not significantly. The effect of Population (X3) on the level of welfare (Y2) through Economic Growth (Y1) has a positive and insignificant effect. This means that every increase in Population will indirectly be able to increase the level of welfare through Economic Growth but not significantly.

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