

THE ROLE OF INVESTMENT IN THE ECONOMIC GROWTH RATE OF KARANGANYAR REGENCY

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ABSTRACT

Economic growth is seen as a long-term economic problem in a country. The ability to produce goods and services of a country will also continue to increase in subsequent periods. The success of economic development in a region occurs because economic growth continues to increase, so that people's income and community welfare are also expected to continue to increase. Investment is one of the factors that influence economic growth, especially in Karanganyar Regency, seen from the data on the Realization of Domestic Investment (PMDN) and Foreign Investment (PMA). The purpose of this study is to analyze how the role of investment on economic growth in Karanganyar Regency and so that this research can be used as a reference for Karanganyar Regency in its regional economic development. The method used in this research uses the non-participant observation method. And the secondary data for this study were obtained from the Central Statistics Agency (BPS) of Karanganyar Regency from 2016 to 2021. Then the data was analyzed using multiple linear regression analysis using the statistical package social science (SPSS) version 25 application.

KEYWORDS

Economic growth, economic development, and investment



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INTRODUCTION

Economic growth is seen as a long-term economic problem in a country. The ability to produce goods and services of a country will also continue to increase in subsequent periods. Where the ability to increase occurs because some factors of production are always increasing in number and quality. The technology used also develops and the number of capital goods continues to increase due to this investment.

Basically, economic activity is a process of using factors of production to produce output. The increase in people's income in a period can also be seen from the increasing economic activity. According to (Todaro, 2005) To measure the success of a country, the process of increasing output over time is the main indicator of economic growth.

The success of economic development in a region occurs because economic growth continues to increase and vice versa economic development that is not running or experiencing a setback occurs because economic growth continues to decline. With economic growth, people's income will also increase, and people's welfare is also expected to increase. It is necessary to know what factors should be avoided so that economic growth does not run in place or experience a setback and what factors can affect economic growth so that economic growth continues to increase and can be maintained in the long term.

Investment is one of the factors that affect economic growth, especially in Karanganyar Regency. In this analysis, the investment data we use is based on data on the Realization of Domestic Investment (PMDN) and Foreign Investment (PMA) as independent variables (variable X). Where the highest amount of PMDN was in 2017, amounting to 1,957,677.30 million rupiah and continued to decrease in number until 153,236.40 million rupiah in 2021. Meanwhile, the average amount of Foreign Investment has increased from year to year and reached its highest amount in 2021, amounting to 298,486.20 million rupiah.

The urgency of this analysis is carried out so that it can be used as a reference for Karanganyar Regency in developing its regional economy by increasing the value of its investment. Therefore, this research is very interesting to do, and it is intended to examine how the role of investment on economic growth in Karanganyar Regency.

RESEARCH METHOD

This research is a study that uses a quantitative approach by sourcing secondary data. This study focuses on revealing whether there is an influence between variables both simultaneously and partially. This research hypothesis test is used to investigate whether there is an influence between variables quantitatively both together and individually. The secondary data collection method in this study uses a non-participant observation method where the researcher does not jump in or get directly involved as an independent observer. In other words, the research was conducted through Library Research on statistical records of annual reports that have been published by relevant official institutions.

The location used as the object of research is in Karanganyar Regency. The secondary data of this study itself is obtained from the website of the Central Statistics Agency (BPS) of Karanganyar Regency where the time span of the data used is from 2016 to 2021. Secondary data processed by multiple linear regression methods using the statistical package social science (SPSS) version 25 application. The secondary data used in the study include data on domestic investment (PMDN) and foreign investment (PMA) as well as Gross Regional Domestic Product (GRDP). Where the dependent variable (X) of this study is economic growth while the independent variable (Y) is investment.

The following is an operational definition of the variables of this study:

1. Economic Growth (Y) uses data on Gross Regional Domestic Product (GRDP) of Karanganyar Regency at constant prices in 2016-2021.
2. Domestic Investment / PMDN (X1) uses data on the realization of the value of domestic investment (PMDN) in Karanganyar Regency, which is measured in rupiah units.

3. Foreign Investment / PMA (X2) uses data on the realization of the value of foreign investment (PMA) in Karanganyar Regency, which is measured in rupiah units.

RESULT AND DISCUSSION

Data Processing Results

From the data results using SPSS 25, the following results were obtained:

Table 1. Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.957 ^a	.915	.859	674751.64428

Based on the output above, it is known that the R Square value of 0.915 means that the effect of variables X1 Domestic Investment (PMDN) and X2 Foreign Investment (PMA) simultaneously on variable Y (GRDP) is 91.5%.

Table 2. Anova

Model	Sum of Squares	df	Mean Square	F	Sig.	
1	Regression	14726054814 085.717	2	73630274070 42.858	16.172	.025 ^b
	Residual	13658693443 68.454	3	45528978145 6.151		
	Total	16091924158 454.170	5			

F test

$$\begin{aligned}
 F_{tabel} &= F(k; n - k) \\
 &= F(2; 6-2) \\
 &= F(2; 4) \\
 &= 6,94
 \end{aligned}$$

Based on the output above, it is known that the significance value for the effect of Domestic Investment (X1) and Foreign Investment (X2) simultaneously on GRDP (Y) is $0.025 < 0.025$ and the value of $F_{hitung} 16,172 > F_{tabel} 6.94$ so it can be concluded that there is an influence between Domestic Investment and Foreign Investment simultaneously on GRDP.

Table 2. Coefficients

Unstandardized Coefficients			Standardized Coefficients	t	Sig.	
Model	B	Std. Error	Beta			
1	(Constant)	26807779.631	538025.925		49.826	.000
	PMDN	-1.908	.405	-.897	-4.715	.018
	PMA	1.737	2.868	.115	.606	.588

T Test

$$\begin{aligned}
 t_{tabel} &= t(a/2; n - k - 1) \\
 &= t(0,05/2; 6-2-1) \\
 &= t(0,025; 3) \\
 &= 3,182
 \end{aligned}$$

Hypothesis Testing X1

The significance value for the effect of Domestic Investment (X1) on GRDP (Y) is 0.018 < 0.05 and the *thitung* value is 4.715 > *ttabel* 3.182 so it can be concluded that Domestic Investment has an influence on GRDP.

Hypothesis testing X2

The significance value for the effect of Foreign Investment (X2) on GRDP (Y) is 0.588 > 0.05 and *thitung* 0.661 < *ttabel* 3.182, so it can be concluded that Foreign Investment has no effect on GRDP.

Hypothesis Test

1. There is a Simultaneous Effect Between Domestic Investment (PMDN) and Foreign Investment (PMA) on Gross Regional Domestic Product (GRDP) in Karanganyar Regency 2016-2021.

Based on Table 2. shows that the significance value is 0.025 where the significant value is smaller or below 0.05. This significant value means that there is a significant influence between Domestic Investment (PMDN) and Foreign Investment (PMA) simultaneously on Gross Regional Domestic Product (GRDP). Where the value of the correlation or relationship (R) is 0.915. From the output, the coefficient of determination (R Square) is 0.915, which implies that the effect of Domestic Investment and Foreign Investment on GRDP is 91.5%.

With these results, it can be concluded that the Karanganyar district government should focus more on these two factors together to encourage an increase in district GRDP so that economic growth can run better. Thus, the Karanganyar district government must be able to create policies that are able to attract investors, both foreign investment and domestic investment, to create new jobs so that they can have an impact on the absorption of the labor force.

2. There is a Partial Effect Between Domestic Investment (PMDN) and Gross Regional Domestic Product (GRDP) in Karanganyar Regency in 2016-2021.

Based on Table 3. The significant value of Domestic Investment (PMDN) shows 0.018 where this value is less or below 0.05. This means that there is a partially significant effect between investment and GRDP in Karanganyar Regency.

3. There is no partial influence between foreign investment (PMA) on gross regional domestic product (GRDP) in Karanganyar Regency in 2016-2018.

Based on Table 3. Shows that the significance value of Foreign Investment is 0.588 where the value is more than or above 0.05. This can be interpreted that there is no partially significant effect between Foreign Investment on GRDP in Karanganyar Regency.

With these results and conditions, the existing Foreign Investment above, the government does not need to formulate policies to increase the GRDP of Karanganyar Regency because the Foreign Investment has no maximum impact either directly or indirectly to increase the economic growth of Karanganyar Regency.

CONCLUSION

Based on the results of the discussion of the research analysis above, it is known that simultaneously Domestic Investment (PMDN) and Foreign Investment (PMA) have a significant influence on Gross Regional Domestic Product (GRDP) in Karanganyar Regency in 2016-2021. Where the effect of P Domestic Investment and Foreign Investment on GRDP is 91.5%.

Partially, Domestic Investment (PMDN) has a significant effect on Gross Regional Domestic Product (GRDP) in Karanganyar Regency where the significance value for Domestic Investment on GRDP is $0.018 < 0.05$ and the value of *thitung* $4.715 > ttabel$ 3.182.

Meanwhile, Foreign Investment (PMA) itself partially does not have a significant effect on GRDP in Karanganyar Regency, as indicated by the significance value for the effect of Foreign Investment on GRDP of $0.588 > 0.05$ and *thitung* $0.661 < ttabel$ 3.182.

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