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Investment, Absorption of Manpower and Government Expenditure on Regional Original Income and Economic Growth

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Abstract

Literature study aims to analyze and determine the effect of direct and indirect effects of investment, employment and government spending on local revenue and economic growth. The results of literature studies from various journals found that: investment in local revenue and economic growth. In addition, employment also contributes positively to local revenue and economic growth. Meanwhile, government expenditure has varying effects depending on the type of expenditure observed. Government spending on infrastructure and human resource development has had a significant positive impact.

Keywords : Investment, Labor Absorption, Government Expenditure, Local Own Revenue And Economic Growth

INTRODUCTION

The economic condition of an area can be seen from the economic growth that occurs in that area. Economic growth is very important in any economic system adopted by a region. The economic growth that occurs can be considered as an opportunity and greater economic equity. The more rapid economic growth that occurs in an area indicates that the economy in that area is in good condition. Economic growth is a country's economic problem in the long term. Economic growth measures the achievement of the development of an economy from one period to the next. From one period to another the ability to produce goods and services will increase due to the factors of production which are always increasing in quantity and quality.

Prakasa (2014) gives the opinion that the effectiveness of government activities in regional economic activities seems to be getting bigger and increasing, along with economic progress from year to year. The size of government activities is one of the indicators, namely the size of regional government consumption spending from the total regional government expenditure. Fiscal policy is intended to influence the course of the economy in order to avoid unwanted conditions such as inflation and other unfavorable economic conditions. In line with the results of Harjanto's research (2014) which shows that between economic growth and government spending there is a one-way causality relationship in which economic growth affects government spending in accordance with Wagner's law which states that the development of government spending occurs as the economy increases.

Investment is one of the main drivers of economic growth. In the regional context, investment can be in the form of infrastructure development, investment in the industrial sector, or investment in the tourism and trade sectors. Investments that enter an area can create new jobs, increase productivity, and encourage the growth of other economic sectors. Investment also contributes to local revenues through the resulting tax and retribution revenues.

Good employment absorption plays an important role in increasing local revenue and economic growth. A high employment rate means that more people find jobs, so that individual income increases. With higher incomes, people have greater purchasing power, which in turn can encourage the growth of the local business sector. Good labor absorption can also reduce unemployment and poverty levels, as well as improve people's welfare.

Government spending has a significant impact on local revenue and economic growth. Local governments have the responsibility to build infrastructure, provide public services, and support certain sectors of the economy. Appropriate government spending can create economic stimulus through programs such as subsidies, tax incentives, and assistance to sectors in need. In addition, government spending can also provide certainty for investors and create a conducive environment for economic growth.

Regional original income is the main source of income for local governments in carrying out their functions. Good economic growth is also important for increasing people's welfare, creating jobs, and reducing economic inequality. Therefore, investment, employment, and government spending are important factors that need to

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be managed properly to achieve sustainable economic growth and increase local revenue..

In combination, investment, employment, and government spending interact and influence each other. Increased investment will create new job opportunities and increase government spending through tax revenues. Increased absorption of labor will increase people's purchasing power, which in turn will support economic growth and local revenue. Meanwhile, appropriate government spending can create a conducive environment for investment and employment. It is important for local governments to manage these three factors properly and effectively to achieve sustainable economic growth and increase local revenue.

LITERATURE REVIEW

Economic Growth

Each country expects that economic growth figures can reach significant figures and experience increases. Economic growth is defined as the development of activities in the economy which causes the goods and services produced in society to increase and the prosperity of the community to increase (Sukirno, 2000:43).

Simon Kuznets in Arsyad (2010: 277) defines a country's economic growth as an increase in a country's ability to provide economic goods for its population, this increase in ability is caused by technological advances, institutions, and ideological adjustments needed. According to Prasetyo (2009) the simplest economic growth can be interpreted as an increase in output or an increase in aggregate national income within a certain period of time, for example one year. The economy of a country is said to be experiencing growth if the real remuneration for the use of factors of production in a given year is greater than in previous years. Thus, the notion of economic growth can be interpreted as an increase in the physical production capacity of goods and services within a certain period of time.

Locally-generated revenue

Regional Original Revenue (PAD) is a term used in the context of regional finance in Indonesia. According to Indonesian law, namely Law Number 33 of 2004 concerning Financial Balance between the Central Government and Regional Governments, PAD is defined as legitimate income earned by regional governments from sources within their territory. The law does not provide a detailed definition of PAD, but provides limitations on the sources of income that are included in PAD. These sources of income include

1. Local Taxes: Revenues from types of taxes imposed by local governments, such as hotel taxes, restaurant taxes, entertainment taxes, advertisement taxes, and so on.
2. Regional Retribution: Revenue from fees paid by the public or third parties for the use of facilities or services provided by the local government, such as parking fees, market fees, testing fees, and the like.
3. Results of Regional Wealth Management: Revenues obtained from the management and utilization of regional assets, such as income from land leases, building leases, regional business results, and so on.
4. Other Legal Receipts: Receipts from other legal sources in accordance with applicable laws and regulations, such as administrative fines, auction proceeds, profit sharing with third parties, and the like.

The definition of PAD in this law refers to sources of income that are regulated legally and legally obtained by regional governments within their territory. This definition provides a foundation for regional governments in managing regional finances and obtaining revenue to finance various development activities and public services in the area.

Investment

According to Widjaja (2005: 91), in the calculation of national income and statistics, investment includes something broader, namely covering all the value of entrepreneurs' purchases of capital goods and spending to set up industries, public spending to build houses and places stay, the increase in the value of stocks of goods in the form of raw materials, goods that have not yet been processed and finished goods. In other words, in economic theory investment means shopping activities to increase the capacity to produce something in the economy.

Wolfenson (2005: 23) that investment is the company's expenses as a whole, including expenses for buying raw materials or materials, machinery and factory equipment and all other capital needed in the production process, expenses for office buildings, employee residential buildings and buildings. other construction, as well as changes in the value of stock or reserve items as a result of changes in quantity and price.

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Employment

The definition of absorption itself is interpreted quite broadly, absorbing labor in the sense of gathering people or labor in a business field to be in accordance with the business itself (Mulyadi, 2003:22). In economics, the factors of production are land, capital , labor and skills (expertise).

According to Siagian (2005:1), human resources and abundant natural wealth are of little meaning without proper human management. This means that other resources and natural wealth are still valuable capital, but this capital only has meaning if it is used by humans, not only for their own benefit but for the benefit of the welfare of society directly. The use and utilization of resources becomes useless without reliable management.

Government Spending

Keynesian theory, developed by economist John Maynard Keynes, argues that government spending can be an important factor in influencing economic growth. According to this theory, the government can stimulate economic growth by increasing public spending in situations where the economy is experiencing a recession or experiencing a decrease in aggregate demand.

Keynes argued that in a recession situation, the private sector tends to save money rather than invest it or consume it. This can lead to a lack of aggregate demand in the economy. In this case, the government can play an important role by increasing public spending, either through fiscal stimulus programs, infrastructure projects, subsidies or other policies. By increasing government spending, aggregate demand can increase, which has the potential to boost economic growth.

CONCEPTUAL FRAMEWORK AND HYPOTHESIS

Data Source: Processed

1. **Investment Has a Significant Influence on Regional Original Income and Economic Growth**

   In a broader context, investment, local revenue, and economic growth interact in a dynamic environment. Strong and strategic investment can be a driver of sustainable economic growth, while increased local revenue can create better investment opportunities. Conversely, high economic growth can also provide incentives for investors to invest in an area, which in turn can increase local revenue.

2. **Absorption of Labor Has a Significant Influence on Regional Original Income and Economic Growth**

   Good employment absorption and strong economic growth can create higher local revenues through tax revenues, levies and other sources of income. On the other hand, increased local revenue can be used by regional governments to finance programs that support employment and economic growth, such as infrastructure development, job training, investment promotion and potential economic sectors.

3. **Government Expenditure Has a Significant Influence on Regional Original Income and Economic Growth**

   Government spending can affect local revenue. When local governments increase their spending on infrastructure development, public services, health, education and other sectors, this can encourage economic growth and increase people's incomes. For example, government spending to build roads, bridges or other public facilities can create jobs and increase economic activity in the area, which in turn can increase local revenue.

4. **Investment Has a Significant Influence on Economic Growth**

   Significant and effective investment can increase production and productivity in the economy. When companies or individuals invest capital in expanding production capacity, improving technology, improving the quality of human resources, and developing infrastructure, this can increase output and production efficiency. With continuous increases in production and productivity, economic growth can occur due to an increase in the added value of the economy as a whole.

5. **Government Spending Has a Significant Influence on Economic Growth**

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Increased government spending can stimulate aggregate demand in the economy. When the government allocates funds for infrastructure development, public projects, social programs, or subsidies, this can increase consumption and investment. Higher demand will lead to increased production and overall economic growth. However, it should be noted that the effect of government spending on economic growth can also depend on efficiency, transparency and accountability in the use of public funds. Improper or inefficient government spending can hinder economic growth and create long-term fiscal problems.

METHODE

In the study of literature, there are several methods used to analyze and synthesize various sources of literature in various indexed journals around the world that are relevant and related to Investment, Labor Absorption and Government Expenditure on Regional Original Income and Economic Growth, including reading and understand the relevant literature, by analyzing and synthesizing the findings found. This involves identifying patterns, similarities, differences, and major themes that emerge from the literature that has been studied. This method assists in building a holistic understanding of the research topic and identifying research gaps that may still need to be filled. Reading and critical evaluation of the selected literature. In this stage, it is important to investigate the research methodology, main findings, arguments, and interpretations made by the authors of the literature. This helps the researcher to understand different viewpoints and gain an in-depth understanding of the research topic.

RESULTS AND DISCUSSION

Significant and effective investment can contribute positively to local revenue and economic growth. Strong investment can increase regional production, productivity and competitiveness. In addition, investment can create new jobs, stimulate potential sectors of the economy, and trigger innovation. It is important to encourage sustainable investment and aim at strategic sectors that have potential for economic growth. Sodik and Nuryadin's theory (2005:67), investment is an injection of capital from investors in creating the development process of a region. The greater the investment, it can be assumed that the development process in creating the wheels of the economy will also be high. This means that the economy is fast and high, in which there are elements of reduced unemployment, the number of jobs that can absorb the community. However, if the positive development of investment is not supported by natural resources that are not optimal, such as human resources who do not have good skills, damaged or perforated infrastructure, investors will think of increasing production costs, of course before investors invest. their investment in an area they already have their own calculations so that there is a return on investment

Good labor absorption can have a positive impact on local revenue and economic growth. When more people have jobs, this will increase people's purchasing power, encourage consumption, and increase regional tax and retribution revenues. High employment absorption also reflects strong and sustainable economic activity. Therefore, it is important to create policies and programs that promote good employment, such as job training, skills development and investment promotion.

Appropriate and effective government spending can affect local revenue and economic growth. Increased government spending can stimulate aggregate demand, strengthen strategic economic sectors, and improve infrastructure quality. In this regard, it is important to allocate funds intelligently in building public facilities, public services, supporting economic sectors, and investing in human resources. Transparent, efficient and accountable government spending is also important to ensure a positive impact on local revenue and economic growth. Government expenditures are expenditures that are used for the maintenance and administration of the government which includes personnel expenditures, goods expenditures, debt interest payments, subsidies, and other routine expenditures. the state, fulfilling government obligations to third parties, protecting the poor and underprivileged, and maintaining economic stability (Djunasien and Hidayat, 2002:90).

Overall, investment, employment, and government spending have an important role to play in driving increased local revenue and sustainable economic growth. Policies that support the right investment, good employment, and effective government spending can help achieve this goal..

I. CONCLUSION

In the analysis of literacy regarding investment, employment, and government spending on regional original income and economic growth, the following conclusions can be drawn:

1. Significant and effective investment has an important role in increasing local revenue and driving economic growth. Strong investment can increase regional production, productivity and competitiveness. This can create new jobs, stimulate potential sectors of the economy, and spark innovation.

2. Good labor absorption contributes positively to local revenue and economic growth. High employment absorption reflects strong and sustainable economic activity. Increased employment will increase people's purchasing power, encourage consumption, and increase regional tax and retribution revenues.
3. Appropriate and effective government spending can influence local revenue and economic growth. Increased government spending can stimulate aggregate demand, strengthen strategic economic sectors, and improve infrastructure quality. It is important to allocate funds intelligently in building public facilities, public services, supporting economic sectors, and investing in human resources.

Overall, investment, employment, and government spending play an important and interrelated role in driving increased local revenue and sustainable economic growth. Coordination and directed policies in these three aspects are very important to achieve this goal.

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