Influence of Government Investment and Private Investment to Economic Growth, Manpower Absorption and Amount of Poor Population in Regencies/Cities in South Kalimantan Province in 2002-2012

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Abstract
This study aimed to determine the effect of the level of independence of local economic growth and employment as well as social welfare regencies/cities in South Kalimantan.
Data collected in this study is a secondary data using the panel (Pooled data). The unit of analysis covers 13 districts / cities as South Kalimantan, with time series for 2007-2011. These data were analyzed using Analysis of Path (*Path Analysis*).
The results showed that: the level of local autonomy no significant effect on economic growth regency / municipal in South Kalimantan, with p-value $0,080 > 0,05$, no significant effect on employment, wih p-value $0,541 > 0,05$ but no significant effect on the welfare of the district/municipal in South Kalimantan, with p-value $0,893 > 0,05$..
The results of this study showed that: economic growth significantly influence people's welfare, with p-value $0,003 < 0,05$, significant effect on employment is also district / municipal South Kalimantan, with p-value $0,042 < 0,05$. Then the results of this study indicate that employment significantly influence public welfare district/municipal in South Kalimantan, with p-value $0,021 < 0,05$.
Therefore, the government district / municipal South Kalimantan Province needs to increase potential resources contained in the area, so increasing the level of local independence. Along with the increasing independence of the region, economic growth will also increase, so that employment also increased, and eventually the society's welfare will increase.
Keywords : Financial independence, economic growth, employment, and welfare.

1.   INTRODUCTION
1.1.   Background
The main problem in economy is a big unemployment becoming the strong reason to have the government involvement (policy), constituting the characteristic of Keynes' thought. The change of thought from the classical school prioritizing the market mechanism as sponsored by Adam Smith (1776) has started to loose its role and substituted by a new thought initiated by John Maynard Keynes in hid book *"The General Theory of Employment, Interest and Money"* (1936), responded by community at that time, including the US President, Richard Nixon, so that it colored the economic policy of the united States of America.

Development is identical with the economic growth constituting the investment function enabling a community to improve its economic activity and job opportunity (Sukirno, 2000: 367). The model of growth of WW. Rostow (1960) emphasizes that a country can only reach the state of taking-off toward the continuing economic development activated by renewals (innovations) and the increase of capital investment, so that the level of national income increase is higher than the level of population increase (Sukirno, 1985 : 107). At the economy acknowledging the transmission mechanism of rate of interest, the amount of interest rate must be monitored by the government, so that it is pursuant to the reaching power of real sectors.

The economic growth of South Kalimantan Province during the year 2001 to 2012 undergoes the fluctuation, but it does not have many changes in economic structure. The approach of *PDRB - Grossed Regional Domestic Product is the* approach through consumption, production and income expenditure. The calculation of PDRB through the production approach cannot be separated from the manpower role, constituting one of the production factors apart from the other production factors. There is a shift in proportion of manpower absorption within the last 5 (five) years, namely that in 2008, it was still dominated by the agricultural sector at the amount of 45.68%, industry 13.90% and the service sector of 40.43%. However during the year 2012, although it was still dominated by the agricultural sector, namely 41.43%,   the industrial sector increased sufficiently high to 24.67% and the service sector increased to 33.90%.

The investments of regency / city government administration increases in stages every year. The

sufficiently interesting one is the increase in *Regency of Tanah Bumbu* in the year 2010 at the sum of Rp 231,388 million and in 2012 becomes Rp 269,339 million. And the *Regency of Balangan* got the increase from Rp520,952 million to be Rp 611,427 million. One of the visible indicators of investment performance is the achievement value of investment realization to the planning. The investment realization in 2009 dropped to amount of Rp 143,521,973.9 million from the year 200i8 at the sum of Rp 312,722,914.3 million; and in 2012 there was an increase in investment realization at the amount of Rp 408,454,594.6 million.

Comparing with the private investment coming to Regencies / Cities in South Kalimantan Province undergoing the increase from year to year, it gives the impact to the more increasing amount of manpower absorption. The increase in private (non-government) investment is sufficiently big in the year 2012, occurring in 3 (three) regencies, namely *Sungai Hulu Tengah Regency* (Rp8,896 billion), *Kotabaru Regency* (Rp 5,347 billion); and *Tabalong Regency* (Rp 7,456 billion).

The number of poor population and level of poverty in South Kalimantan from the 2000 till 2012 continuously underwent a decrease. The poor people in South Kalimantan Province in the year 2012 were at the amount of 189,875 . It was far much decreasing compared to the amount of 340,000 people in the year 2000. The decrease amount of the poor people was the result of development process with the stable economic growth in South Kalimantan Province.

The amount of poor people underwent a sufficiently big decrease from the year 2000 at the sum of 10% decreasing to 5.06% in 2012 in line with the increase of investment realized in many Regencies / Cities in South Kalimantan Province in various economic sectors. The government investment and the private investment gave impact to the regional economic growth and manpower absorption, so that it could significantly reduce the amount of poor population from 340,000 persons in 2000 to only 189,875 people in 2012. Investment stimulated the arising of various undertaking / businesses able to absorb the local manpower and increased their purchasing power, so that it increased consumption and production.

The amount of poor population in South Kalimantan Province indicated sufficiently good decrease, in which in the year 2005 the poor people were 235,700 people (7.32%) and in 2010 dropped to 181,960 people (5.21%). The decrease in percentage of poor people in the year 2012 was at the amount of 5.06% (189,875 people) of the total population lower compared to that in the year 2011 at the amount of 5.35%. So, in the last five years, the percentage of poor people indicated the decrease. (*Bappeda - Board of Regional Development and Planning* of South Kalimantan Province, 2013). The spread of poor population in Regencies / Cities in South Kalimantan Province in 2012 was sufficiently even and decreasing compared to that in 2011. The only protruding big amount of 29,000 was in the *Banjarmasin City* and 16,100 poor people in *Regency of Tanah Bumbu*. The smallest amounts were 8,000 poor people in *Balangan Regency* and 8,700 in *Regency of Tapin*.

2. LITERATURE REVIEW
2.1. Theory of Economic Growth and Economic Development.
The economic growth and development is a process indicated by policies of government and non-government (private) in managing the existing human resources and to establish a partnership pattern between government and private in order to create new work fields and to stimulate development of the economic activities (Meier, 1970:7). The main problem in economic growth and in economic development lies on the emphasis to the policies of economic growth and economic development based on the *specificity* of the respective regions by using the potentials of human resources, institution, and physical resources in local wisdom. Orientation of this development leads to the regional initiative in the process to establish new job opportunities and to stimulate the increase in economic activities (Badrudin, 2013: 13).

Wicksell in Pressman (2000: 125-126) and Kuznet in Pressman (2000: 177) state that the factor of the amount of capital stock and its development from time to time will give positive contribution to the economic growth and to the people welfare. According to Kusreni (2009) that each effort of economic growth and economic developement has the main goal to increase the amount and the type of job opportunities in the effort to improve the people welfare. According to Todaro (2004: 92) there are 3 (three) main factors related to economic growth in a certain country, namely *the capital accumulation* covering the whole new investment, *population growth* enlarging the manpower, and *technological advancement* in the forms of improvement of the goods and in handling the works. Adam Smith declares that the occurrence of capital and manpower accumulation take very important role for the economic growth. The production element, according to Adam Smith, consists of *the existing land resources, human resources and capital stock* (Spechler, 1990: 46).

According to Adam Smith, 1776 in Adisasmita (2013: 58), the market mechanism will maximize the level of economic development able to be achieved by community. Population growth will stimulate the economic development in line with the increasing amount of population and will be able to enlarge the market. The market enlargement will increase the economic specialization. The specialization development and job distribution enlarge the work field and stimulate development of technology able to stimulate the investment. However on the other hand, the *Law of Diminishing Return* of Ricardo explains that the increase of manpower

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amount will cause that the output obtained in a certain point will be gradually decreasing.

In the year of 1950s a theory of neo-classical development of RM Solow followed by Edward Phelps, Harry Johnson and J.E. Meade in Adisasmita (2013: 59) explain that the economic growth depends on the increase of offers of the production factors and the level of technological advancement. At full employment economy, the capacity of capital goods will remain to be fully in use.

The theory of Schumpeter in Adisasmita (2013: 60) on the role of businessmen in building up the belief that the economic development is established by initiative of the innovative businessmen, group of entrepreneurs to produce the goods required by the community. Businessmen are classified into *company leaders* and a *capital owners*. If the economy is in *stationary* position (not developing or not growing), there will not be any population development, no new capital investment and there will be new *unemployment*.

The theory of Harrod-Domar in Adisasmita (2013: 62) covers the weakness of *Keynes Theory* to indicate that the condition required for the steady state of growth is the growth that always establishes the full use of capital tools in economy. Pursuant to Keynes' Theory (1930) that the increase in production and in national income is not determined by *production capacity*, but by *increase in expenditure* of community. At the theory of balance development of Rosenstein-Rodan (1957) and Ragnar Nurkse (1960) performing the industrialization at the less developed region for the spread of welfare is proven faster than the richer region. Theory of Balance Development of Djoyohadikusumo (1958) in Adisasmita (2013: 64) suggests that the development in agricultural sector should be carried out simultaneously, all at once and all at the same time together with the development in industrial sector.

The supporter of imbalanced growth strategy of Kindleberger, Singer and Hirchman in Adisasmita (2013: 65) prefer the investment at the selected sectors of the whole economic sectors. The investment at the selected sectors opens opportunities to the new investment. This can be reached by establishing the imbalance in development. These two models basically are related to the role of the state and the role of limitedness of offer (capital), in which the role of the state is required to prepare the availability of capital and investment.

2.2. Theory of Investment

The economic theory defines *'investment'* as the expenses to buy the capital goods and the production equipment with the purpose to substitute and mainly to add the capital goods at the economy that will be used to produce the goods and the services in the future, as stated by Samuelson (2004: 137) and Sukirno (2007: 271). The increase in investment will stimulate the volumes of trade and production which then will enlarge the productive job opportunities and it means that it increases the income per capita and at the same time able to improve the community welfare. Investment essentially is a means able to be carried out ether by government or non-government (private) in the scheme of increasing the economic growth and in the ,long run it can improve the living standard of its communities (Mankiw, 2003).

The opinion of Todaro (2000: 136) on three main factors of economic growth in every country are: *capital accumulation*, *population growth* and *technological advancement*. According to Solow and Swan the economic growth depends on the availabilities of the production factors and level of technological advancement in Arsyad (2010: 88-89).

According to Harrod-Domar in Arsyad (2010: 85-87) and Todaro (2009: 96) that in economic growth, the role of investment is to enlarge the production capacity which then increases the effective demand of community and the national income. Pursuant to the thoughts of Ricardo and Smith that the role of capital accumulation and technological advancement tends to increase the productivity of manpower, the *Law of Diminishing Return* and to slow down the decrease of the living standard (Skousen, 2009: 123).

According to Raharjo (2006: 32), one of the forms of effort carried out by the regional government to motivate the growth of privat investment is by establishing the conducive and attractive conditions for the development of domestic industry and the coming of foreign investment. In line with the increase of investment deriving from private, either the investment with the facility of *PMDN* (Domestic Capital Investment) or non-facility, it is expected that it will increase the *PDRB* (Grossed Regional Domestic Products) from year to year.

According to Todaro (2006: 259), the flow of international financial resources can be materialized in 2 (two) forms. *First*, foreign capital investment carried out by private party (*private foreign investment*) and the portfolio investment particularly in the form of *"direct"* foreign capital investment, usually conducted by the multinational gigantic companies. In addition, there is also a similar capital flow from the international private banks, whose investment fund is in the form of portfolio.

According to the view of classical group in Sukirno (2007: 256), the capital establishment is an *expenditure* that will be able to add the ability of a community to increase the production. For the Classical Group, the capital establishment is the expenditure that will increase the amount of capital goods in community. If the ability increases, automatically the production and the national income will be higher and the economic development will be established.

Rostow and Musgrave in Mangkusoebroto (1999: 170, 2008: 170) explains that at the medium development stage, the private investment has taken great role, but the government investment still also has a big

role to serve the stabilization function. This function is applied at the medium development stage just in case there is a big market failure on the role of private investment, so that the government has to provide the goods and services in a big amount and in a good quality.

According to Schumpeter in Pressman (2000: 155) the economic growth will not occur continuously, but will undergo a certain condition when it sometimes develops and sometimes goes backwards. Such conjuncture is caused by activities of the businessmen (entrepreneurs) carrying out the innovation in their activities to produce the goods and services. To materialize an innovation requires an investment able to increase the economy.

Based on Regulations of the Home Affairs Minister (Permendagri) Number: 143/2006 and that Number: 59/2007, the allocation of regional expenditure is divided into the *direct and indirect components* of expenditure. Allocation of capital expenditure includes the direct expenditure allocated for public sector investment (Halim, 2008). The government investment is the use of assets to obtain the economic benefits such as interest, dividend, royalty, social benefit and others, so that it can increase the government ability in the scheme of giving services to community.

According to Adolf Wagner in Soepangat (1991: 42-44) and Mursinto (2005) the government expenditure increases from time to time due to the increase of the government activities requiring the financing. Soepangat (1991: 52) explains that the increase in the budget of government expenditure influences the increase of the community welfare. The provision of public goods will be useful for those in need that is necessarily given by the government whose financing derives from the capital expenditure. The private investment constitutes the amount of the realized investment values deriving from the domestic capital investment or the foreign capital investment.

2.3. Manpower Theory

According to Raharjo (2006: 7), *manpower* is defined as population at the age of 10 years or more who work, look for jobs, and are doing other activities, such as going to school or taking care of the household and become the income receivers. *Work force* is the population of the working age who work or have the jobs but temporarily are not working and jobless.

Manpower constitutes the population at the working age. The age limit of manpower applicable in Indonesia ranges between 15 to 64 years old. According to this concept, every one able to work is called the manpower. Manpower is the whole population deemed able to work and capable of working if there is no work demand (Wikipedia.org). According to Todaro (2006: 310) the population increase and the work force increase are traditionally considered as one of the positive factors triggering the economic growth. The work opportunity according to Tambunan (2001: 60) refers to the amount of people able to be accommodated to work in a certain company or agency. The work opportunity will accommodate all manpower available if the work field available is sufficient or balance with the amount of manpower available. The fast growth of work force in one hand and the relatively slow growth in the level of work field on the other hand become a problem in developing countries, including Indonesia.

The problem frequently appears in this manpower employment is the occurrence of imbalance between *manpower offer* and *the manpower demand,* known as *'supply excess'*. The importance of manpower factor in economic development according to Lewis in Ananta (1988: 128) is that the surplus of manpower in one sector (agriculture) gives a contribution to the growth of output and to the manpower supply at the other sector (industry).

The number of manpower unemployment in Indonesia increases from year to year, either in its amount or its percentage. The height of unemployment number in a certain country or a region can motivate the migration of people. In this case, migration takes the role as mechanism of human resources allocation leading towards the more productive region. Migration according to Schultz (1971) in Santoso (2007: 264) takes place due to the failure or inability of the traditional agricultural sector in rural areas to absorb the manpower growth.

According to Boyle, et al (1998) in Santoso (2007: 265), the migration occurring in a certain region of a country is called *'internal migration'*, whereas the one passing through the boundaries of a country is called *'international migration'.*. Migration can be divided based on the time limit, namely: *life time migration, home-coming migration, and reasoned migration.* According to Todaro (2000: 364) all work forces, either actual or potential ones, always compare the incomes expected to be obtained in a certain period of time from the place of origin and the place of destination. They decide to migrate if the net income at the place of destination is bigger than that in their place of origin.

2.4. Theory of Poverty

Poverty defined by the World Bank (2007) as one of the conditions in which a person cannot enjoy his basic needs covering the health, decent living standard, freedom, self pride, and respect as the other persons. An absolute poor person according to the World Bank is a person living with the income below $1 per day; the medium poverty with the income below $2 per day. Poverty is a stage that has to be passed through at an economic growth of a certain region and basically is related to the inability to fulfill the basic needs (Mikkelsen,

2003: 104), and *'Poverty is the inability to reach the minimum living standard'* (World Bank, 1990).

In line with the concept of World Bank above, Mubyarto (1996) defines poverty as a situation with all kinds of shortages occurring not on the wish of the poor, but due to a condition unavoidable by the power available on him. Friedman in Ala (1996: 4) defined the poverty as the inequality in opportunity to accumulate the bases of social power, not only limited to the productive capital, net working, knowledge and skill, but also the useful information in order to advance their life.

The concept of poverty according to BPS – Central Bureau of Statistics is a condition to fulfill the basic needs available below the standard of minimum need, either for food or for non-food, which is below the poverty line. The poverty line is calculated based on the basic need approach, namely the amount of rupiah required to be able to meet the minimum basic need for food (equal to 2100 calorie/capita/day) and non-food such as; housing, health, education, clothes and other goods / services. From several definitions stated above, it is clear that poverty is not only related to the material aspect, but also to non-material aspect as stated by Scott in Suyanto (1995) that poverty is generally viewed from the point of income in the form of money plus non-material benefits, such as lack of education, poor health and shortage in transportation. Poverty is also viewed from the point of asset ownership such as: land, house, equipment, jewelry, gold, money, credit and others. Meanwhile the non-material poverty can be in the forms of lack of freedom, the right to get a decent work, the right of household, and the decent living.

According to Kuncoro (1997: 106), the cause of poverty in macro scale is due to the presence of inequality in the pattern of resource ownership, the difference in quality of human resources, and the difference in capital access. The factors of poverty causes can be classified into: cultural poverty, economic resources poverty and the structural poverty. The cultural poverty according to Surbakti in Suyanto (1996: 201) is not a hereditary poverty, but due to the inability to face the continuous lengthy poverty. The poverty in economic resources observes the root of poverty to the non-possession of the economic resources, such as: land, capital, education and skill.

An interesting theory in discussing about the poverty problem stating that the poverty problem is multi-dimensional constitutes a Theory of Poverty Ring. The founder of this theory, Myrdal, 1957, explained that each individual and community has a inter-related connection to each other in creating a problem arising at the community. This theory is developed by Jonathan Seher explaining that education and manpower employment in community interact in the form of circles inter-related to each other. The people having no access are motivated to migrate and leave their place of origin. The high level of unemployment causes the low level of consumption and savings, and this limitedness makes people difficult to make investment. Their marginalized condition makes them unable to contribute their aspirations in the field of politics, to be the object of interest, having no self confidence and low motivation in stages.

The measurement of poverty according to Kuncoro (2006: 111) is classified into 3 (three) groups, namely: Absolute Poverty, Relative Poverty, and Structural Poverty. Absolute Poverty is a condition in which the earning output of someone lies below the poverty line and not enough to determine his life basic need. This concept determines the level of minimum income sufficient to meet the physical needs for food, clothes, housing in order to guarantee their survival. The main difficulty of the concept of absolute poverty is in determining the composition and the level of minimum need, because these two subjects are not only influenced by the habit, but also by the climate, level of progress of the state concerned and other economic factors. In order to have a decent life, people need the goods and services to fulfill their physical and social needs.

The research by Bahrudin (2011) concluded the presence of influence of fiscal decentralization to the capital expenditure, economic growth and prosperity in Regencies / Cities in Central Java Province. The said research has already proven that the government transfer takes a very important role in regional economy at the era of regional autonomy, so that it can absorb manpower and reduce poverty of a certain region. The research by Usman and Moeis (2006: 133) on Characteristics of Poverty and Its Influence to Poverty Condition in West Sumatra Province concluded a number of characteristics attached to the poverty and its influence to the poverty condition, namely geography, demography, education, manpower employment, and housing. Improvement in the level of education is estimated to be able to reduce the risk of a household to fall into a poverty. This research suggests an improvement in quality of education and the diversification effort in business fields apart from the agricultural sector as the priority of the rural areas.

3.   RESEARCH METHODOLOGY
3.1.   Type and Design of Research
There are 3 (three) types of social research, namely: *explorative, descriptive, and explanatory.* The design of this research applies the Explanatory Method.
3.2.   Population, Sample, and Sample Taking Technique.
Type and sources of data in this research are the *secondary data* in the form of *annual time series* from the year 2002 till 2012. Population of this research are the whole 13 (thirteen) regencies / cities in South Kalimantan

Province. This research applies the *census method* by using the whole population of 13 (thirteen) regencies / cities in South Kalimantan Province with the data time series from 2002 to 2012. The cross-section data consists of 13 regencies/cities, so that it constitutes the data panel or *pooled data*, namely a combination of data time series for 10 years (2002 – 2012) and the cross-section data of 13 regencies / cities, so that 130 objects of research are obtained.

3.3. Research Variables

There are 5 (five) variables applied in this research pursuant to its conceptual frames. The said variables are classified as follows:

1. **Exogenous Variables:** covers the Government Investment (X_1) and Non-Government (Private) Investment (X_2) taking the role as *Independent Variables*.
2. **Endogenous Variables:** consists of Economic Growth (Y_1) and Manpower Absorption (Y_2).
3. **Endogenous Variable:** is the Amount of Poor People (Y_3) taking the role as Dependent Variable.

The Operational Definition of each Variable being studied is as follows:

a) **Government Investment:** is the Capital Expenditure applied for the purchase / procurement or development of tangible fixed assets whose benefit value is for more than one year and/or the use of services in performing the program and the government activity in *Rupiah Unit*.

b) **Non-Government (Private) Investment:** is the investment really conducted by the private with the sources from *PMA* – Foreign Capital Investment and *PMDN* – Domestic Capital Investment, invested in Regencies / Cities in South Kalimantan Province during the period from the year 2002 to 2012, whose influence can be seen in the subsequent year (lag) and declared in *Rupiah Unit*.

c) **Economic Growth:** is the variable of change in the value of *PDRB* – Grossed Regional Domestic Products of the Regencies / Cities allover the South Kalimantan Province according to the business field per annum based on the constant price in the year 2000 during the research period of 2003-2012 in *Percentage Unit*.

d) **Manpower Absorption:** is the variable applied in this study concerning with the amount of manpower at the ages of 15 - 64 years absorbed in each economic sector in Regencies / Cities in South Kalimantan Province during the research period of 2003 -2012 measured in the *Number of Persons*.

e) **Amount of Poor People:** Variable of poor people is in the form of figure on the amount of poor based on the data from *BPS – Central Bureau of Statistics* of each Regency / City in South Kalimantan Province during the period of 2003-2012 in the *Number of Persons*.

3.4. Research Location and Data Collecting Technique

The research is carried out in 13 Regencies/Cities in South Kalimantan Province and the secondary data are collected by compiling the various data and information issued and published by the related institutions, bodies, autonomous agencies and offices.

3.5. Data Analysis and Processing Technique

Data are analyzed by using the *Least Square Technique* applying the *Path Analysis* Model and calculated by using the program of *SPSS* (Statistic Program for Social Science). Path Analysis is the form of *Multiple Regression Application* using the path analysis as the guideline for hypothetical testing.

In this path analysis, the construct relation is indicated by an arrow. The straight arrow indicates a causal relation between one construct to the other. Process of coefficient calculation in path analysis is approached through the regression analysis with the standardized variables (standardized regression). Computations of structural equation models in this research are as follows:

$$Y_1 = ɣ_{11} X_1 + ɣ_{12} X_2 + \zeta_1.$$
$$Y_2 = ɣ_{21} X_1 + ɣ_{22} X_2 + ß_{21} Y_1 + \zeta_2.$$
$$Y_3 = ɣ_{31} X_1 + ɣ_{32} X_2 + ß_{31} Y_1 + ß_{32} Y_2 + \zeta_3.$$

In which:

Y_1 : Economic Growth (Percentage).
Y_2 : Manpower Absorption (Persons).
Y_3 : Total Poor People (Persons).
$ɣ_{11}$: Loading Factor of Investment Exogenous Variable.
X_1 : Government Investment (Rp).
$ɣ_{12}$: Loading Factor of Region Originated Income Exogenous Variable.
X_2 : Private Investment (Rp).
$ɣ_{13}$: Loading Factor of Manpower Absorption Exogenous Variable.
X_3 : Manpower Absorption (Persons).
$ß_{31}$: Regression Weight Endogenous Variable of Economic Growth.
Y_1 : Economic Growth (Percentage).
$ß_{32}$: Regression Weight Endogenous Variable of Manpower Absorption.

Y_2 : Manpower Absorption (Persons).

$\zeta_{1,2,3}$: Error Term.

4.   ANALYSIS ON RESEARCH OUTPUTS AND DISCUSSION
4.1.   OUTPUTS OF HYPOTHETICAL TESTING

The path coefficients as the outputs of data processing in this research constitute the research hypotheses presented in 3 (three) equations as follows:

1.   **Structural Equation for Yt_1 is:**
     $Yt_1 = 0.353\, X_1\, (t\text{-}1) + 0.080\, X_2\, (t\text{-}1)$.
2.   **Structural Equation for Yt_2 is:**
     $Yt_2 = 0.114\, X_1\, (t\text{-}1) + 0.226\, X_2\, (t\text{-}1) + 0.032\, Yt_1$.
3.   **Structural Equation for Yt3 is:**
     $Yt_3 = (-0.179)\, Yt_1 + 0.523\, Yt_2$
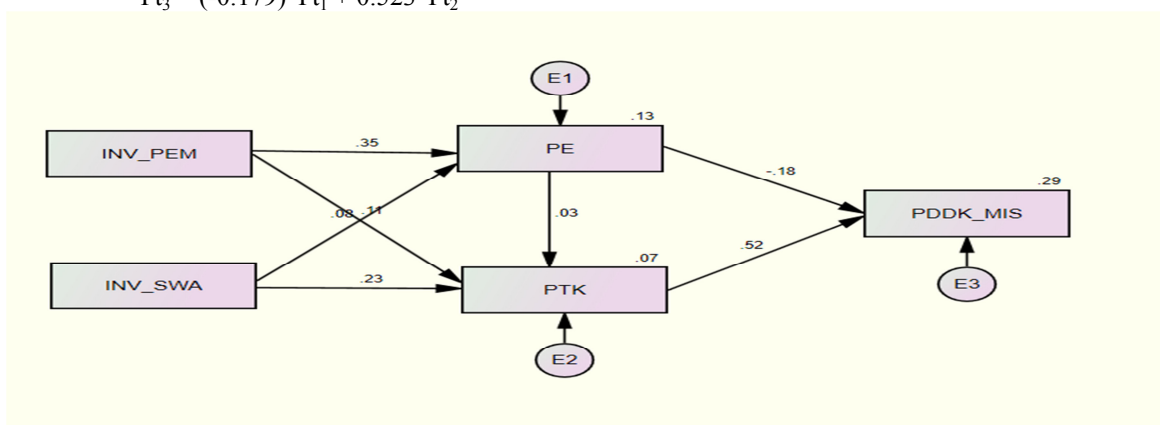
Drawing-1:
Path Analysis Model with investment Data of 1 Year Lag.

Drawing-1 indicates the direct and indirect relations between the outputs of data processing and the path analysis instrument. Data applied is the time series data and the cross-section data from the year 2002 to 2012 available in 13 Regencies / Cities in South Kalimantan Province. These pooled collected data are expected to be able to produce an *in-depth and comprehensive* analysis. For the preciseness of analysis, the data processed on investment variable use the investment data of 1 year lag.

Table-1: OUTPUT OF PATH COEFFICIENT TESTING

Free Variable	Bound Variable	Path Coef.	Sig	t-Test	Test Output	Direction
Government Investment (X_1)t-1	Economic Growth (Yt_1)	0.353	0.000	4.413	Significant	Positive
Private investment (X_2) t-1	Economic Growth (Yt_1)	0.080	0.307	1.021	Insignificant	Positive
Government Investment (X_1) t-1	Manpower Absorption (Yt_2)	0.114	0.200	1.282	Insignificant	Positive
Private Investment (X_2) t-1	Manpower Absorption (Yt_2)	0.226	0.00	2.781	Significant	Positive
Economic Growth (Yt_1)	Manpower Absorption (Yt_2)	0.032	0.712	0.369	Insignificant	Positive
Economic Growth (Yt_1)	Total Poor People (Yt_3)	-0.179	0.000	-2.502	Significant	Negative
Manpower Absorption (Yt_2)	Total Poor People (Yt_3)	0.523	0.000	7.304	Significant	Positive
Source: Output of Data Processing Using SPSS Program, 2013.						

Based on the Table above, the interpretation of each path is as follows:

Hypothesis-1:
Government Investment has significant influence to the economic growth of Regencies / Cities in South Kalimantan Province.

The Government Investment (X_1) has positive and significant influence to the Economic Growth (Yt_1). This is indicated by the path coefficient with positive sign at the amount of **0.353** with significance probability (P) at the sum of **0.000** smaller than the level of alpha significance of **0.05**. This means that the Government Investment

directly influences the economic growth. The path coefficient with positive sign indicates that the increase of Government Investment will cause the sufficiently big amount of increase in economic growth. This estimation result supports the hypothesis in this research that the Government Investment has significant influence to the economic growth of Regencies / Cities in South Kalimantan Province.

Hypothesis-2:
Private Investment has significant influence to the economic growth of Regencies / Cities in South Kalimantan Province.

The Private Investment (X_2) has positive and significant influence to the Economic Growth (Yt_1). This is indicated by the path coefficient with positive sign at the amount of 0.080 with significance probability (P) at the sum of **0.307** bigger than the level of alpha significance of **0.05**. This means that the Private Investment does not directly influence the economic growth. The path coefficient with positive sign indicates that the increase of Private Investment will cause the increase in economic growth, although small. This estimation result does not support the hypothesis in this research that the Private Investment has significant influence to the economic growth of Regencies / Cities in South Kalimantan Province.

Hypothesis-3:
Government Investment has significant influence to the Manpower Absorption in Regencies / Cities in South Kalimantan Province.

The Government Investment (X_1) has positive and significant influence to the Manpower Absorption (Yt_2). This is indicated by the path coefficient with positive sign at the amount of **0.114** with significance probability (P) at the sum of **0.200** bigger than the level of alpha   significance of **0.05.** This means that the Government Investment does not directly influence the Manpower Absorption. The path coefficient with positive sign indicates that the increase of Government Investment will cause the increase in Manpower Absorption, though small. This estimation result does not support the hypothesis in this research that the Government Investment has significant influence to the Manpower Absorption in Regencies / Cities in South Kalimantan Province.

Hypothesis-4:
Private Investment has significant influence to the Manpower Absorption in Regencies / Cities in South Kalimantan Province.

The Privat Investment (X_2) has positive and insignificant influence to the Manpower Absorption (Yt_2). This is indicated by the path coefficient with positive sign at the amount of **0.080** with significance probability (P) at the sum of **0.000** smaller than the level of alpha significance of **0.05**. This means that the Private Investment directly influences the Manpower Absorption. The path coefficient with positive sign indicates that the increase of Private Investment will cause the sufficiently big increase in Manpower Absorption. This estimation result supports the hypothesis in this research that the PrivateInvestment has significant influence to the Manpower Absorption in Regencies / Cities in South Kalimantan Province.

Hypothesis-5:
The Economic Growth has significant influence to the Manpower Absorption in Regencies / Cities in South Kalimantan Province.

The Economic Growth (Yt_1) has positive and insignificant influence to the Manpower Absorption (Yt_2). This is indicated by the path coefficient with positive sign at the amount of **0.032** with significance probability (P) at the sum of **0.712** bigger than the level of alpha significance of **0.05.** This means that the Economic Growth does not directly influence the Manpower Absorption. The path coefficient with positive sign indicates that the increase of Economic Growth will cause the increase in Manpower Absorption, though small. This estimation result does not support the hypothesis in this research that the Economic Growth has significant influence to the Manpower Absorption in Regencies / Cities in South Kalimantan Province.

Hypothesis-6:
The Economic Growth has significant influence to the Amount of Poor People in Regencies / Cities in South Kalimantan Province.

The Economic Growth (Yt_1) has negative and significant influence to the Amount of Poor People (Yt_3). This is indicated by the path coefficient with positive sign at the amount of **0.179** with significance probability (P) at the sum of **0.000** smaller than the level of alpha significance of **0.05.** This means that the Economic Growth directly influences the Amount of Poor People. The path coefficient with negative sign indicates that the increase of Economic Growth will cause the sufficiently big decrease at the Amount of Poor People. This estimation result supports the hypothesis in this research that the Economic Growth has significant influence to the Amount of Poor People in Regencies / Cities in South Kalimantan Province.

Hypothesis-7:

The Manpower Absorption has significant influence to the Amount of Poor People in Regencies / Cities in South Kalimantan Province.

The Manpower Absorption (Yt_2) has positive and significant influence to the Amount of Poor People (Yt_3). This is indicated by the path coefficient with positive sign at the amount of **0.532** with significance probability (P) at the sum of **0.000** smaller than the level of alpha significance of **0.05.** This means that the Manpower Absorption directly influences the Amount of Poor People. The path coefficient with positive sign indicates that the increase of Manpower Absorption will cause the increase at the Amount of Poor People. This estimation result supports the hypothesis in this research that the Manpower Absorption has significant influence to the Amount of Poor People in Regencies / Cities in South Kalimantan Province.

4.2.   DISCUSSION

4.2.1.   Influence of Government Investment to Economic Growth

The government investment whose influence to the economic growth is analyzed is the capital expenditure becoming the direct component of expenditure at the total government expenses allocated to be used   for financing the public sectors. The development activities of regional government administration can increase the demand for the goods and services motivating the production and increasing the economic activities stimulating the increase in establishing the absolute value of the *PDRB – Grossed Regional Domestic Product* and relative value of the change of PDRB in the form of economic growth.

The finding of the empirical study by Mursinto (2004) concluded that the development expenses have positive and significant influence to the *PDRB* – Grossed Regional Domestic Products of Regencies / Cities in East Java Province. Output of this study explains that the expenses of Regional Government Administration which are getting bigger and bigger will motivate the economic growth. According to Adolf Wagner in Soepangat (1991: 42-44) and Mursinto (2005b) the government expenses from time to time climb up due to the increasing number of government activities requiring the financing.

This finding is in line with the definition of '*capital expenditure*' as given by Halim (2007: 113-114) that the capital expenditure is classified into 5 (five) main categories, namely: *land, machine & equipment, building, road, irrigation and other physical networks*. Thus, the increase of capital expenditure will motivate the economic growth. The theory supporting this is the *plane taking-off strategy* of Rostow in Hakim (2010: 116) that a big pushing effort is required to launch the economy of a country in a certain level of growth which will automatically grow continuously by itself just like launching an airplane from the runway. If the plane runs slowly at the air base with sufficient fuel, it will not be able to take off and reach its destination. This analogy if related to the development of a certain country, then an investment is urgently required at the development stage leading toward the taking-off.

The positive coefficient means that the influence of government investment is at the same direction, namely if the government investment increases, it will have a potential to increase the economic growth significantly. The significance of government investment influence is caused by: the Increase in the use of *APBD - Regional Revenue and Expenditure Budget Plan* for investment continuously increasing from year to year in the whole Regencies / Cities in South Kalimantan Province. Majority of government investments are used for infrastructures, such as for development and repair of the streets, bridges, irrigation and other public facilities and infrastructures stimulating the economic growth. The spread of Government Investment in Regencies / Cities in South Kalimantan Province is sufficiently even. The Government investment in Regencies / Cities in South Kalimantan Province still absorbs many manpower, because the infrastructure development generally is still under the labor intensive scheme.

4.2.2.   Influence of Private Investment to the Economic Growth

The Private Investment does not significantly influence the economic growth in Regencies / Cities in South Kalimantan Province. Output of hypothetical testing indicates the figure of path coefficient of 0.080 with the probability of 0.307 bigger compared to the alpha of 0.05 with the positive direction. The increase of Private Investment gives influence to the increase of economic growth, but not so big. The empirical facts indicated by the entering private investment and its realization during the period of 2002 to 2012, such as: the oil palm estate and rubber estate tend to take a long time about 4 - 5 years to make a production, so that it cannot optimally motivate the economic growth. The growth is motivated by the subsequent action of investment in the said agricultural sub-sector. The economic growth is sufficiently motivated by the private investment at the coal mining sector, but not so significant. Such insignificance is caused by the fact that the coal mining sector is a capital intensive sector, so that it does not give a big impact to the regional economic growth.

Kuznet in Pressman (2000: 77) reveals about the importance of productivity in economic growth, so that if the scheme of investment is more capital intensive in its nature, then the manpower productivity is not the goal. Meanwhile according to Smith, the productivity is the one that increases the living standard. The sufficient big private investment in mining sector derives from the *PMA* – Foreign Capital Investment, so that the output of

investment is enjoyed more by the foreign investors. Contribution of outputs of private investment in mining sector to the Regional Government Administration is much too small compared to the output of the National Government, because the Regional Government Administration only gets the output sharing and royalty which is very small in value, so that its output cannot be utilized maximally and freely for the regional development.

4.2.3. Influence of Government Investment to Manpower Absorption

Based on the result of the hypothetical testing, it proves that the hypothesis stating the Government Investment significantly influences the Manpower Absorption is not proven and so rejected. The coefficient with positive sign means that the influence of government investment is in line with the manpower absorption, but its value is small. The higher the investment is, the bigger amount of manpower is able to be absorbed, and so is the contrary. If there is a decrease in investment, it will reduce the manpower absorption. Investment gives a direct influence to the manpower absorption, because the presence of investment requires the manpower, but investment by government does not absorb the manpower as many as required by the private investment.

The Government takes the role in establishing the job opportunities depending very much on allocation of government expenses on economy, namely the capital expenditure. The job opportunities established through the government investment can be proven based on the positive coefficient value. Government investment takes place at the government expense in capital expenditure which is difficult to be conducted by the private. The government investments in many regencies / cities are mostly the capital expenditure in the form of infrastructure development requiring the capital intensive and not labor intensive scheme. The developed infrastructure such as: street, bridge, and irrigation requires big amount of government expenses, but do not absorb many manpower. Many capital expenditures are also required for providing the educational facilities, health facilities, transportation facilities, electrical and water installation facilities, so that they cannot absorb more manpower. According to Rostow and Musgrave in Mangkoesoebroto (2001: 170), on development of government expense that at the beginning it provides various public facilities and infrastructures under the capital intensive investment not requiring many manpower.

The government investment are mostly directed to improvement, procurement of the damaged capital goods, maintenance, purchasing the office stationeries and furniture, so that the capital expenditure is not used for business enlargement able to absorb the manpower. Output of this research is in line with the research conducted by Indra (2012) in the Regencies / Cities in West Kalimantan Province that the government investment does not significantly give the influence, because the government investment is used for providing the educational facilities, health facilities and transportation facilities. In addition, the capital expenditure is also used for the components indirectly having the influence to absorb the manpower, namely the cost. It is the cost for equipment rent, for planning, for supervision, permit, for consultant and other costs not absorbing too many manpower. It is different from the research conducted by Wurarah (2011), that there is a significant influence between private investment and manpower absorption in West Papua, because the investment is used to develop the public facilities such as the roads, bridges, and opening the isolated areas. According to the opinion of Halim (2008), the investment in public sector has a strong potential to increase the manpower absorption.

4.2.4. Influence of Private Investment to Manpower Absorption

The hypothetical output of path analysis statistically obtains the coefficient of 0.226 with the probability value of 0.000 smaller than 0.05 with positive direction indicates the significant influence of the private investment to the manpower absorption. It means that the hypothesis that the private investment significantly influences the manpower absorption can be accepted. Todaro (2000:330) explains that if the capital price is more expensive compared to the labor price, then the businessmen or producers will choose the production technology which is *labor intensive*, so that it can enlarge the work field.

Private capital invested in Regencies / Cities in South Kalimantan Province is the investment in *rubber plantation sub-sector* since a very long time absorbing many manpower, then followed by oil palm *plantation sub-sector* absorbing many manpower since the opening the land space, seedling, cultivation, planting, weeding / caring and harvesting. And so is the investment at *the animal feed industry* absorbing many manpower. The high absorbing power for manpower is supported by sufficient human resources and ability to access into the offered jobs. The high plan and realization of investment in this agricultural sub-sector have important role in absorbing manpower. Similarly, the coal mining sector also absorbs sufficiently big amount of manpower. On the other hand, however, the arising problem is *the high migration coming from other regions to work in mining and in agricultural sectors,* so that they become the main competitors of the local workers. At the time when the regional economy declines, the big amount of migration coming to get the jobs, then the impact will arise in the form of unemployment which then becomes the burden of the region.

4.2.5. Influence of Economic Growth to the Manpower Absorption

The input factors of development are manpower, capital, land and technology, and manpower serving as the potential components. Under a normal economic condition, the economy can develop and give impacts. The economic growth improves distribution of income and welfare due to the enlargement of job opportunities and productivity. The available job opportunities motivate establishment of specialization and productivity

improvement.

Professor Fields in Todaro (2000: 185) explains the typology of enrichment growth of the traditional sector in which almost all benefits of growth are evenly poured to the workers in agricultural sector or traditional sector, and only few to modern sector. Then, the enrichment typology of modern sector explaining the growth is only enjoyed by a few people actively involved in modern sector and capital intensive, and the typology of modern sector enlargement developing the two-sector economy (modern & traditional) taking a stand on development and enlargement of modern sector sustaining the wage level in those two sectors.

The economic growth does not significantly influence the manpower absorption in Regencies / Cities in South Kalimantan Province based on the output of hypothetical testing with coefficient value of path analysis of 0.032 with the probability of 0.712 bigger compared to the alpha trust level of 0.05. Thus, the hypothesis that the economic growth significantly influences the manpower absorption is rejected. This is due the presence of the shift in economic structure in several regencies / cities in South Kalimantan Province from formerly very dominant in agricultural sector to contribute in *PDRB – Grossed Regional Domestic Products* changes to be dominant in mining sector not absorbing many manpower. This mining sector has a contribution to a high growth, but does not absorb manpower because it is capital intensive.

Based on those three Fields' typologies, the one that supports the output of this research is the second typology, namely the *enrichment in modern sector*, because they who enjoy are only a few people who are actively involved in capital intensive sector. Thus, the output of hypothetical testing declaring the insignificance of the influence of economic growth to the manpower absorption is sufficiently reasonable, because the growing economic sectors shift from the agricultural sector to the mining sector of capital intensive in most of the regencies relying on mining sector for its economic growth. This causes the income distribution to be very much imbalanced and the poverty condition remains unchanged.

4.2.6. Influence of Economic Growth to Amount of Poor People

Based on the output of hypothetical testing by using the path analysis between economic growth and amount of poor people in South Kalimantan Province, the coefficient has negative value of (-0.179) with the probability value of 0.000 smaller than the alpha value of 0.05 and the t-test of (-2.502). It means that the hypothesis stating the economic growth has significant influence to the amount of poor people is accepted.

The negative value indicates the natural upside-down relation, namely the occurrence of the increase of economic growth having significant influence to reduce the amount of poor people. The economic development defined as increasing the income per capita and the improvement in social structure and institution and also the change in behavior constituting the important component for development. The income per capita is an important indicator to the increase of economic welfare of the people reducing the amount of poor people. Output of this testing has already been in conformity with the theory, since it can reduce the amount of poor people, meaning that there is an increase in people welfare. It is pursuant to the model of Lewis in Todaro (2000: 186) stating that the absolute income increases and the absolute poverty also decreases.

4.2.7. Influence of Manpower Absorption to Amount of Poor People

Unemployment is a big phenomena having a direct influence to the distribution of incomes. The policy taken to reduce the amount of unemployment is through the expansion of industry, enlargement scheme of public job opportunities, the more labor intensive production, reduction on price distortion of the production factors, economic development and bigger social services in rural areas, relevant system of education, consistency and optimization of market mechanism in determining the price and wages (Hakim, 2010: 223).

Based on the output of hypothetical testing, manpower absorption has significant influence to the amount of poor people and its result is proven to have significant influence but its direction is positive. The coefficient value of 0.532 with the probability value of 0.000 smaller than alpha 0.05 and the t-test of 7.304 indicates a big and significant influence to increase the amount of poor people by the time when manpower absorption takes place.

This phenomena increases the amount of poor people bigger if the manpower absorption is higher. Having observed and analyzed this phenomena, it is found out that the manpower absorbed in most Regencies / Cities in South Kalimantan Province at the sectors of government investment and private investment does not reduce the amount of poor people. The manpower able to work at government sector or private sector must have sufficient education and certain skills, so that the poor people with low quality resources cannot enter into these sectors and they remain poor. Moreover, the manpower absorbed and spread in Regencies / Cities in South Kalimantan Province are mostly from outside region and not the local workers, so that it does not reduce the amount of poor people who are generally the local people.

Such a condition is worsened by occurrence of *PHK – Employment Relation Termination* in several wood companies, the declining export of coal due to sluggishness in price and decreasing demand also reduces the activity and some of them carry lout the PHK. Many migrants come independently to look for the jobs in regencies / cities spread allover South Kalimantan Province. Some get the job and some don't and cannot return home to their place of origin and this adds the burden by adding the number of poor people to the regional

government administration.

5. CLOSING
5.1. Conclusion
Based on analysis on the outputs of study and discussion, the conclusions can be made as follows:

1) **Government investment has significant influence *and positive relation*** with the economic growth of the Regencies / Cities in South Kalimantan Province.
2) ***Private investment has insignificant influence*** to the economic growth of Regencies / Cities in South Kalimantan Province with the direction of positive relation.
3) ***Private investment has significant influence and positive relation*** with the manpower absorption in Regencies / Cities in South Kalimantan Province.
4) ***The economic growth has insignificant influence*** to the manpower absorption in Regencies / Cities in South Kalimantan Province and has positive relation.
5) ***Economic growth has negative, not in line with and insignificant influence t***o the amount of poor people in Regencies / Cities in South Kalimantan Province.
6) ***Manpower absorption has positive, in line with and significant influence*** to the amount of poor people in Regencies / Cities in South Kalimantan Province.
7) ***Output of this study gives important finding*** able to be used as consideration in making policies for regional development concerning with the government investment. In this regard, the *capital expenditure* is proven to have significant influence to the economic growth, but not so influential to the manpower absorption, so that the public investment with bigger absorption in manpower is required, such as the investment in the sectors of education, health, entrepreneurship as well as the investment in human resources. The private investment has significant influence to the manpower absorption but gives insignificant contribution to the economic growth, so that the more productive investment strategy is required to support the value of regional *PDRB – Grossed Regional Domestic Products.* The economic growth has already been significant in reducing the amount of poor population, but still unable to absorb the manpower significantly, so that a development strategy is required by prioritizing the quality economic growth able to absorb manpower by motivating the change in productive behavior and reinvestment at the sectors able to absorb the manpower.

5.2. Suggestions
Based on the conclusions as presented above, some suggestions are given as follows:

1) The planning and allocation of capital expenditure budget as government investment must be implemented precise to the target in reaching the goal of development, particularly in the scheme of economic growth, manpower absorption, and reducing the amount of poor population.
2) Private investment entering into the Regencies / Cities in South Kalimantan Province must give a special attention and opportunities *to the local work force* in order to be actively involved, so that it reduces unemployment and the amount of poor people. Private investment must give portion to the local manpower and empower the poor people in order to be able to be productive through *CSR - Corporate Social Responsibility* and *Comdev – Community Development*.
3) Private Investment is expected not to be obliged to take along the *skilled and ready for use* manpower, but it is suggested to be able to develop and guide the local manpower through the training, empowerment and improvement to their skills.
4) The regional government administration must prepare the conducive region, ready in all aspects and infrastructures and welcome very well to the government investment and also to the private investment deriving from the Investors of *PMA* -Foreign Capital Investment or *PMDN* – Domestic Capital investment.
5) Increasing the investment by establishing conducive investment climate by giving easy access and clear procedure in licensing, low cost economy, avoiding the land dispute, and the certainty of law.
6) The government policies, either the policies of the national government, the provincial government as well as the regional / city government must be able to attract the investment to come to Regencies / cities in South Kalimantan Province.
7) In order to develop the science and advanced study, a further research can be carried out through the *in-depth* empirical study with the flexible time and larger variables.

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