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SOCIAL SCIENCE AND EDUCATION | RESEARCH ARTICLE

The Effect of Capital Expenditure, Labor, and Inflation on Economic Growth in Makassar City

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Abstract: This study aims to determine the effect of capital expenditure on economic growth in Makassar City, the effect of labor on economic growth in Makassar City and the effect of inflation on economic growth in Makassar City. The research hypothesis uses a theory / concept base, supported by previous studies that have similar variables. This research was conducted in Makassar City. The type of data used is secondary data. The data analyzed in this study for 11 years. Using descriptive statistical techniques, Classical Assumption Test and multiple linear regression assisted by Eviews 10.0 for data analysis. The results showed that Capital Expenditure has a positive and significant effect on Economic Growth in Makassar City, Labor has a positive and insignificant effect on Economic Growth in Makassar City. Inflation has a negative and insignificant effect on economic growth in Makassar city.

Keywords: Effect of Capital Expenditure, Labor, Inflation, Economic Growth

1. Introduction

Economic growth shows the extent to which economic activity can generate additional income or community welfare in a certain period. Increased economic activity must be supported from the funding side to improve the quality and quantity of products produced. (Manulusi et al., 2021). One measure of development achievement is by using Gross Regional Domestic Product (GRDP). According to the Department of Economic and Monetary Statistics of Bank Indonesia, GRDP is the sum of the added value of goods and services generated from all economic activities in a region in a certain period, both at current prices and at constant prices. GRDP at constant prices is used to determine real economic growth from year to year or economic growth that is not influenced by price factors. GRDP figures are used as material for comparing development achievements between regions. (Dahliah & Nur, 2021). Makassar City is the capital of South Sulawesi Province which consists of 15 sub-districts and 153 villages which once changed its name to Ujung Pandang City on September 1, 1971, but changed again on October 13, 1999, to Makassar City. Makassar City is also a city that is the economic gateway to eastern Indonesia, as well as the largest in the Eastern Indonesia region. Makassar City implements regional autonomy in carrying out regional development, so in facing these conditions, Makassar City must have readiness and stability of sources of funds for financing development which is necessary to increase economic growth as an independent region from dependence on the central government. (Arfah, 2021; Islamiah et al., 2021). Makassar City's economic growth is one of the highest nationally, national economic growth in 2018 amounted to 5.17% where in 2018 Makassar City's own economic growth amounted to 8.42%, this means that Makassar City's economic growth exceeds National Economic Growth. The following is the Gross Regional Domestic Product Data on a Constant Basis for Makassar City from 2010 to 2020:



Table 1. Indonesian ADHK 2010 GDP 2011 - 2019

Year	ADHK GDP (Billion Rupiah)	Growth (%)
2010	58.556,47	-
2011	64.622,10	10,36
2012	70,851,04	9,64
2013	76.907,41	8,55
2014	82.592,82	7,39
2015	88.828,15	7,55
2016	95.957,64	8,03
2017	103.826,16	8,20
2018	112.568.41	8,42
2019	122,465.82	8,79
2020	120.905,75	-1,27
Average	83,856.69	8.52

Source: Indonesia Central Bureau of Statistics, processed 2021

Based on Table 1 above, Makassar City's GRDP continues to increase every year, the highest GRDP growth was in 2011, amounting to 64.622 billion Rupiah or an increase of 10.36% from the previous year and the lowest GRDP growth in 2013, amounting to 82.592 billion Rupiah or an increase of 7.39% from the previous year. Makassar city's economic growth in 2019 to 2020 decreased from 8.79% down to -1.27%, Economic growth from year to year continues to increase in Makassar City. However, at the same time, economic growth and income distribution are unequal. Makassar City's gini ratio from 2010 reached 0.374 and continued to increase until 2019 which broke through 0.390. Even the Makassar City gini ratio is above the South Sulawesi Province and the National level (Ginting et al., 2019). (Ginting et al., 2021). This figure can be said to be far from good. On the other hand, referring to the economic growth trend of the past five years, it seems to show an increasing trend from time to time. In 2010, Makassar City's economic growth was 6.83 percent, and was even able to penetrate 8.79 percent in 2019 (BPS South Sulawesi, 2020). This condition affirms the occurrence of income inequality, behind such impressive economic growth. In other words, exclusive growth has created new problems in this city, even though Makassar City is expected to be the center of inclusive economic growth in South Sulawesi. In addition, in 2020 the economic growth of Makassar city has decreased due to the Covid-19 pandemic which has shaken the economy of all regions in the world, including Makassar City.

One of the factors in increasing economic growth is State Expenditure, according to Mankiw (2007) Government purchases are goods and services purchased by the Central and Regional governments. Government purchases include gross government consumption and investment. Among its uses include operating expenditures, capital expenditures, other / unexpected expenditures, and transfers to the regions. In the context of the Indonesian economy, fiscal policy is controlled by the Ministry of Finance of the Republic of Indonesia. To implement fiscal policy, the government of a country needs to prepare a budget that summarizes its revenues and expenditures during a certain period. In Indonesia, the government budget is the state budget. According to Law No. 17/2003 on State Finance, APBN is the government's annual financial plan approved by the Parliament. The resources that have been managed by the Regional Government are one of the sources of funding for regional expenditure, regional expenditure here is more directed at Capital Expenditure, because Capital Expenditure supports the improvement of facilities and infrastructure for public services (Sholikhah & Wahyudin, 2014). Economic growth is one of the many factors that are key to successful development. The ability of local governments to utilize the potential of the region aims to grow the regional economy through increased revenue. And Restianto (2011) Restianto (2011) states economic growth as an increase in the economic activity of a region that can increase the prosperity and independence of the region as indicated by an increase in gross regional domestic product (GRDP). Todaro argues that there are three main factors in economic growth. First, capital accumulation which includes all forms or types of new investment embodied in land, physical equipment, capital and human resources. (Dahliah, 2021; Indayani & Hartono, 2020).

Capital expenditure in Makassar City from 2010 - 2019 fluctuates from year to year but tends to increase, in 2011 it amounted to 168,523,776,058 Rupiah, until in 2019 it amounted to

884,202,784,682 Rupiah. In 2016 and 2017 there was a slight decrease, which amounted to 5.7% and 1.5% respectively. This increase was accompanied by increasing economic growth. The use of capital expenditure variables that affect economic growth on the grounds that capital expenditures made by local governments are used for development including the development of the education, health, transportation sectors, so that the community also enjoys the benefits of regional development. The availability of good infrastructure is expected to create efficiency and effectiveness in various sectors, community productivity is expected to be higher and in turn there will be an increase in economic growth in a region. However, in 2020 Makassar city's Capital Expenditure decreased by -67.1% or 291,202,740,534.00 Rupiah compared to the previous year, namely in 2019 amounting to 884,202,784,682.00. This happened because most of the Makassar City government spending was diverted to Health Expenditure because in 2020 Makassar City was affected by the Covid-19 pandemic. Another factor that is thought to affect economic growth in Makassar City is Inflation. Inflation is an economic phenomenon that is feared by all countries. Inflation is the tendency of increasing prices of goods and services in general and continuously. (Natsir, 2014). Based on the factors that cause inflation, one type of inflation is demand-pull inflation or demand-side inflation, which is inflation caused by a very large increase in aggregate demand compared to the amount of goods and services offered. Because the amount of goods demanded is greater than the goods offered, prices rise. Demand-pull inflation usually occurs when the economy reaches full employment and economic growth is rapid. (Sukirno, 2021).

In addition, one of the factors that influence economic growth is that labor as a driver of economic activity is equipped with expertise and skills to facilitate production, distribution and other production process activities. Labor is not only seen from the quantity, namely the number, but also from the quality point of view, namely quality such as the level of education and health. The economic sector has labor and capital in the form of machinery and equipment in the production process of goods and services. If labor is combined with machinery and equipment, it can produce a greater amount of output, because productivity becomes higher, and quality also becomes better. Mill argues that productive labor can create welfare and capital accumulation. The rate of capital accumulation is a function of the share of the labor force that is productively employed. The profit received by employing unproductive labor is only a transfer of income, unproductive labor does not produce welfare or income. (Prayitno & Yustie, 2020). Skilled labor is a potential human resource that is needed in the development process to welcome the era of globalization. Todaro (2011) states that investment in human resource development can also improve the quality of human capital, so that in the end it will have the same positive impact on production figures, even greater given the increasing number of people. A high population will lead to high unemployment and increased poverty if it is not supported by the provision of adequate employment for people of working age. If the number of jobs is increasing, it will be followed by a large number of absorbed labors, which will have the potential to reduce the number of poor people, resulting in increased community welfare.

Utami & Indrajaya (2019) in their research shows that capital expenditure has a positive effect on economic growth. In line with Sulaeman & Silvia (2019) in their research shows that capital expenditure has a significant and positive effect on economic growth. In contrast to research conducted by Holung et al. (2021) the results showed that capital expenditure had no significant effect on economic growth in Manado City. In line with research conducted by Hutagalung & Muharam (2020) shows the result that capital expenditure has no significant effect on economic growth in North Sumatra. Kurniawan et al. (2021) in his research shows that inflation has a significant and positive effect on the economic growth of Bali Province. In contrast to research conducted by Asnawi & Fitria (2018) in their research shows that inflation has a positive and significant effect on economic growth in Indonesia. Buana et al. (2019) in his research shows that labor has a positive effect on economic growth in Java. In contrast to research conducted by Ningsih & Sari (2018) in his research shows that partially labor has not had a significant effect on economic growth in the city of Batam.

2. Literature Review

Economic Growth according to Sukirno, (2021) states that 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 society to increase ". So economic growth measures the achievement of the development of an economy from one period to another. A country's ability to produce goods and services will increase. This increased ability is due to the increase in factors of production both in quantity and quality. Investment will increase capital goods and the technology used is also growing. Kuznets in Jhingan, (2014) defines economic growth as the process of long-term increase in the ability of a country to provide more and more types of economic goods to its population. This ability grows in accordance with technological progress, and the institutional and ideological adjustments it requires. Economists agree that economic growth is defined as an increase in the output of goods or materials and services within a certain period or in other words, it is a process of increasing the production capacity of an economy which is realized in the form of an increase in national income. (Hasyim, 2017). Capital Expenditure is expenditure used for the purchase / procurement or construction of tangible fixed assets whose useful value is more than a year, and or the use of services in implementing local government programs. (Hidayat et al., 2017). According to Article 55 of Government Regulation Number 12 of 2019, capital expenditure is a budget expenditure for the acquisition of fixed assets and other assets that provide benefits for more than 1 (one) accounting period. From the several definitions put forward above, it can be concluded that Capital Expenditure is a Regional Government expenditure whose benefits exceed one fiscal year and will increase regional assets or wealth and will further increase routine expenditures such as operation and maintenance costs.

Labor is the working age population (aged 15-64 years) or the total population in a country that has the ability to spend effort per unit of time to produce goods or services, both for themselves and for others (Idris, 2016). Labor has several definitions, according to Law No. 13 of 2003 concerning Manpower, labor is every person who is able to do work in order to produce goods and / or services both to meet their own needs and for the community. Law No. 25 of 1997 defines labor as the population aged 15 years or more, while the latest law on labor, Law No. 13 of 2013, does not provide an age limit in the definition of labor, but the law prohibits the employment of children. Children according to Law No. 25 of 1997 concerning labor are men or women who are less than 15 years old. (Mulyadi et al., 2018).

Inflation is the tendency for the prices of goods and services to rise generally and continuously. (Natsir, 2014) states that inflation is an event that shows the general price level and takes place continuously (Murni, 2013). Inflation as a gradual increase in the general price level (price level) (Blanchard & Sheen, 2013). Inflation is an economic symptom that shows an increase in the general price level on an ongoing basis (Hasyim, 2016). Based on the above definition, inflation is an increase in the price of goods and services that takes place in one period. The increase in the price of goods occurs gradually and extends to the increase in other goods. From some of the opinions of the experts above, it can be concluded that inflation is a condition of rising prices of goods and services in a long and continuous period. Based on the literature review conducted by researchers, a systematic research conceptual framework can be compiled which is described in the following scheme:

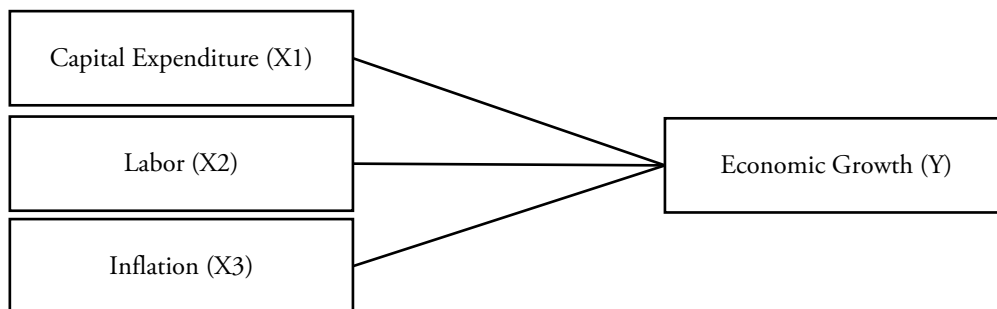


Figure 1: Conceptual Framework

The hypotheses in this study are:

H1: Capital expenditure has a positive and significant effect on economic growth in Makassar City.

H2: Labor has a positive and significant effect on economic growth in Makassar City.

H3: Inflation has a positive and significant effect on economic growth in Makassar City.

3. Research Method and Materials

This research is a quantitative approach because this research is presented with numbers. This research was conducted in Makassar city and the research period was from May to November 2022. The data used to support this research is secondary data (Time Series) 2011-2021. Data collection methods, namely: Observation, Documentation. The population in this study is data on the development of Micro, Small and Medium Enterprises (SMEs), Poor Population and Unemployment Rate in Makassar City, while the samples in this study are SMEs, Poor Population and Unemployment Rate in Makassar City in 2011-2021. Researchers also use a saturated sampling technique that uses all members of the population because the data processed is in the form of a census which is already in the form of an annual report issued by the relevant institution. The data analysis method is Simple regression analysis which functions to test the extent of the relationship between the independent variable (X) and the dependent variable (Y). This analysis is to determine the direction of the relationship between the independent variable (X) and the dependent variable (Y1, Y2).

The analysis used in this research is descriptive quantitative. Descriptive analysis was conducted to obtain an overview of the effect of capital expenditure on economic growth (GRDP) in Makassar City. Quantitative analysis was conducted using secondary data and processed with the Ordinary Least Square (OLS) method as the main research method. Quantitative analysis is carried out using secondary data. In this study, the authors chose Makassar City as the object of research by determining data on Capital Expenditure, Inflation, Labor, and Economic Growth of Makassar City obtained from the Makassar City Central Statistics Agency (BPS). The time in the research was conducted from February to March 2022. This research data uses secondary data collected from local government documents at the Makassar City Central Statistics Agency (BPS) in the form of quantitative data. This research data relates to reports on the realization of Capital Expenditure, Total Employment, Inflation and Gross Regional Domestic Product at Constant Prices. Secondary data in this study were obtained from the Makassar City Statistics Agency such as reports on the realization of the Regional Budget, Total Workforce, Inflation and Gross Regional Domestic Product at Constant Prices. The data used is in the form of time series data from Makassar City from 2010 to 2020 and external data obtained through published sources of outside agencies such as journals, articles, libraries. This research data uses secondary data types collected from local government documents at the Makassar City Central Statistics Agency (BPS) in the form of quantitative data. This research data relates to reports on the realization of Capital Expenditure, Total Employment, Inflation and Gross Regional Domestic Product at Constant Prices. Secondary data in this study were obtained from the Makassar City Statistics Agency such as reports on the realization of the Regional Budget, Total Workforce, Inflation and Gross Regional Domestic Product at Constant Prices. The data used is in the form of time series data from Makassar City from 2010 to 2020 and external data obtained through published sources of outside agencies such as journals, articles, libraries. This research data is obtained in the form of data that has been published by the Makassar City Statistics Agency. To support and strengthen the research, the documentation method is supported by sources of information through the review of literature studies, and various sources, such as books containing various kinds of theoretical studies that are needed, magazines, manuscripts, historical stories, and documents.

Descriptive research method is a research method used to find the widest possible knowledge of the object of research at a certain time. Approaches that can be used in conducting descriptive analysis include presenting data through tables, graphs, diagrams, calculating mode, median, mean, standard deviation, calculating percentages, and calculating the class length formula to determine the interval criteria. (Ghozali, 2013). Before conducting multiple regression analysis, the classical assumption test is carried out first. Classical assumption testing is carried out in order to obtain regression results that

can be accounted for and have unbiased results. The classic assumption tests include: The normality test aims to test whether in a regression model, confounding or residual variables have a normal distribution or not. As is known, the residual value follows a normal distribution. If this assumption is violated, the statistical test becomes invalid for a small sample size. There are two ways to detect whether the residuals are normally distributed or not, namely by graph analysis and statistical tests (Ghozali, 2016). The normality test used in this study uses the Jarque-Bera (JB) test by looking at the probability value. If the probability value is greater than the significance level $\alpha = 0.05$ or 5%, the data in this study are normally distributed. Conversely, if the probability value is smaller than the significance level $\alpha = 0.05$ or 5%, the data in this study are not normally distributed. With the following hypothesis:

- 1) H_0 = Data is normally distributed
- 2) H_a = Data is not normally distributed

Heteroscedasticity test aims to test whether the regression model occurs inequality of variance from the residuals of one observation to another. If the variance and residuals of one observation to another are constant, it is called homoscedasticity and if it is different, it is called heteroscedasticity (Ghozali, 2016). How to detect heteroscedasticity is a statistical test using the Breusch Pagan Godfrey test by looking at the probability Chi Square value of $Obs * R$ -squared. If the probability value of Chi Square is greater than the significance level $\alpha = 0.05$ or 5%, the data in this study are not exposed to heteroscedasticity. Conversely, if the probability Chi Square value is smaller than the significance level $\alpha = 0.05$ or 5%, the data in this study are exposed to heteroscedasticity. Furthermore, the Multicollinearity test aims to test whether the regression model found a correlation between independent variables (independent). A good regression model should not have a correlation between the independent variables. If the independent variables correlate with each other, then these variables are not orthogonal. Orthogonal variables are independent variables whose correlation value between fellow independent variables is equal to zero. This test is done by looking at the Tolerance value and Variance Inflation Factors (VIF). It is said to be free of multicollinearity if the tolerance value is > 0.10 and the VIF value is < 10 . So, if the tolerance value < 0.10 and $VIF > 10$ means that there is a case of multicollinearity (Ghozali, 2013). Furthermore, the Autocorrelation Test The autocorrelation test used in this study uses the Breusch-Godfrey Serial Correlation LM Test by looking at the Chi Square probability value. If the probability value of Chi Square is greater than the significance level $\alpha = 0.05$ or 5%, the data in this study are not affected. Conversely, if the probability value of Chi Square is smaller than the significance level $\alpha = 0.05$ or 5%, the data in this study are exposed to autocorrelation. With the following hypothesis:

- H_a : there is no autocorrelation
 H_0 : there is autocorrelation

Next is the Multiple Linear Regression Test. According to Sugiyono (2016) Multiple linear regression analysis is a regression that has one dependent variable and two or more independent variables. The multiple regression equation in this study can be formulated as follows:

$$Y = \alpha + b_1X_1 + b_2X_2 + b_3X_3 + e$$

Information:

- Y= Economic Growth
 X1= Capital Expenditure
 X2= Labor
 X3= Inflation
 α = Constant
 b_1 - b_3 = Regression coefficient, which shows the number of increases or decreases in the dependent variable (Y) based on the independent variable (X)
 e= Standard error

Furthermore, to determine the effect and significant level of $\alpha = 0.05$ or 5%, it is tested using the F-test and t-test through the Eviews 10 computer program.

4. Results and Discussion

4.1. Result

1. Regression Analysis

Based on data processing of multiple linear regression analysis with the help of the Eviews 10.2 program and transformed into logarithms and first differences, the results are as shown in the table below:

Table 2: Multiple Linear Regression Test

Dependent Variable: D(PE)				
Method: Least Squares				
Date: 04/12/22 Time: 20:53				
Sample (adjusted): 2011 2020				
Included observations: 10 after adjustments				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-1.604456	0.411666	-3.897475	0.0080
D(BM)	0.012865	0.001789	7.192089	0.0004
D(TK)	2.81E-05	1.41E-05	1.988397	0.0939
D(INF)	-0.271470	0.185414	-1.464129	0.1935
R-squared	0.904216	Mean dependent var		-1.110000
Adjusted R-squared	0.856324	S.D. dependent var		3.209115
S.E. of regression	1.216401	Akaike info criterion		3.518845
Sum squared resid	8.877790	Schwarz criterion		3.639879
Log likelihood	-13.59422	Hannan-Quinn criter.		3.386071
F-statistic	18.88038	Durbin-Watson stat		1.769914
Prob(F-statistic)	0.001852			

Source: Eviews 10 output, 2022

Based on Table 2, the regression model equation with $\alpha = 0.05$ is obtained between the independent variables of Capital Expenditure, Labor, and Inflation, on the dependent variable of Economic Growth as follows:

$$Y = -1.604456 + 0.012865X_1 + 0.000281X_2 - 0.271470X_3$$

From the equation above, it can be explained that:

- 1) The constant of -1.604456 indicates that in general, if the independent variables of capital expenditure, labor and inflation on the dependent variable are constant (unchanged) then economic growth will decrease by -1.604456 percent.
- 2) The capital expenditure coefficient of 0.012865 indicates that capital expenditure has a positive effect on economic growth. This means that an increase in capital expenditure of 1 percent will increase economic growth by 0.012865 percent.
- 3) The Labor coefficient of 0.000281 indicates that Labor has a positive effect on Economic Growth. This means that an increase in labor, by 1 percent, will increase economic growth by 0.000281 percent.
- 4) The Inflation coefficient of 0.271470 indicates that Inflation has a negative effect on Economic Growth. This means that an increase in Inflation, by 1 percent, will reduce Economic Growth by 0.271470 percent.

2. Coefficient of Determination

Table 3: Results of the Coefficient of Determination

R-squared	0.904216
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Adj R-squared	0.856324
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Based on Table 3, the value of R Square is 0.904216. This shows that Economic Growth (Y) can be explained by the variables of Capital Expenditure (X1), Labor (X2) and Inflation (X3), by 90.42%. While the remaining 9.58, % is explained by other factors outside the research variables such as Investment and Natural Resources.

3. Partial Test

Table 4: Partial Test

Variable	t-Statistic	Prob.
D(BM)	7.192089	0.0004
D(TK)	1.988397	0.0939
D(INF)	-1.464129	0.1935

Source: *Eviews 10 output, 2022*

The following will explain partially the effect of each variable in the study:

- The significance value of capital expenditure (X1) of 0.0004 is greater than the significance level of 0.05, causing H_a to be accepted. So it can be stated that Capital Expenditure (X1) has a positive and significant effect on Economic Growth (Y).
- The significance value of Labor (X2) of 0.0939 is greater than the 0.05 significance level, causing H_a to be rejected. So it can be stated that Labor (X2) has a positive and insignificant effect on Economic Growth (Y).
- The significance value of Inflation (X3) of 0.0939 is greater than the 0.05 significance level, causing H_a to be rejected. So it can be stated that Inflation (X3) has a negative and insignificant effect on Economic Growth (Y).

4. Normality test

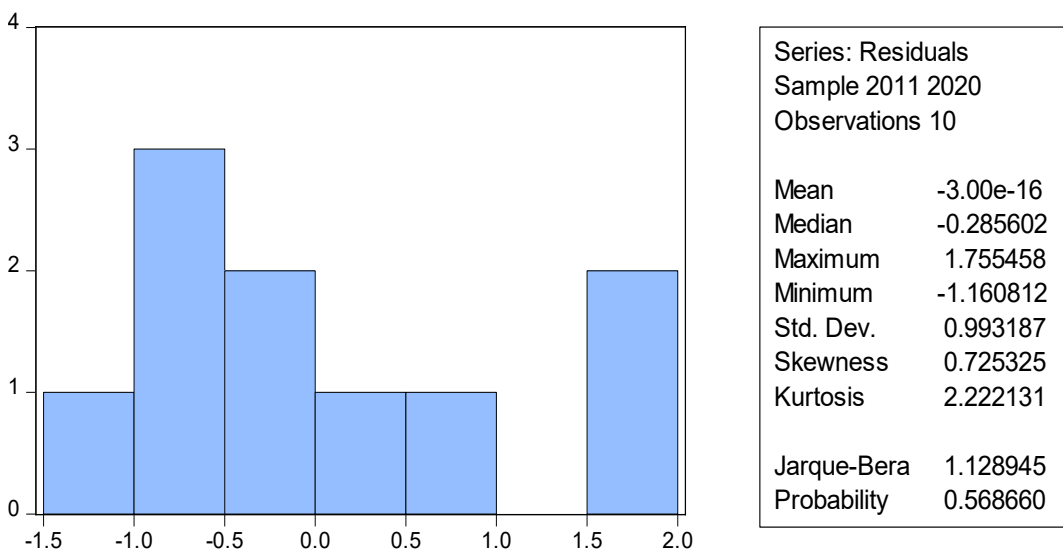


Figure 2: Normality Test

Source: *Eviews 10 output, 2022*

Testing the normality assumption results in the Jarque Bera test statistic with a probability of 0.568660. This result shows that the probability > level of significance ($\alpha = 0.05$). This means that the residuals obtained from the regression model formed are declared to be normally distributed. Thus the assumption of normality is met.

5. Heterocedasticity Test

To detect the presence or absence of heteroscedasticity in this study, the Breusch Pagan Godfrey test is used by looking at the probability Chi Square value on Obs * R-Squared. If the probability

value of Chi Square on Obs * R-Squared is greater than the significance level $\alpha = 0.05$ or 5%, the data in this study are not exposed to heteroscedasticity.

Table 5: Heteroscedasticity Test

Heteroskedasticity Test: Breusch-Pagan-Godfrey			
F-statistic	0.125644	Prob. F(3,6)	0.9415
Obs*R-squared	0.591087	Prob. Chi-Square(3)	0.8985
Scaled explained SS	0.130029	Prob. Chi-Square(3)	0.9880

Source: *Eviews 10 output, 2022*

Based on Table 5, it can be concluded that H₀ is accepted. This is evidenced by the probability value of chi-square > 0.05 ($0.8985 > 0.050$), meaning that there is no heteroscedasticity so that we can proceed to the next test.

6. Multicollinearity Test

To detect the presence or absence of multicollinearity, namely by looking at the Variance Inflation Factor (VIF). VIF is less than 10, so there is no multicollinearity in the regression model.

Table 6. Multicollinearity Test

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.169469	1.145343	NA
D(BM)	3.20E-06	1.005422	1.002588
D(TK)	1.99E-10	1.088504	1.005869
D(INF)	0.034378	1.054971	1.003864

Source: *Eviews 10 output, 2022*

Based on Table 6, none of the independent variables have a VIF of more than 10. Then it can be stated that there is no multicollinearity in the regression model.

7. Autocorrelation Test

Table 7. Autocorrelation Test

Breusch-Godfrey Serial Correlation LM Test:			
F-statistic	1.599879	Prob. F(2,4)	0.3087
Obs*R-squared	4.444257	Prob. Chi-Square(2)	0.1084

Source: *Eviews 10 output, 2022*

Based on Table 7, it can be concluded that there is no autocorrelation in the model. This is evidenced by the probability chi-square value > 0.05 ($0.1084 > 0.05$), which means H₀ is accepted.

4.2. Discussion

Based on the results of the study, the discussion in this study is as follows:

a. Capital Expenditure on Economic Growth

Based on the test results, it was found that the Capital Expenditure variable had a positive and significant effect on Economic Growth. Thus, it can be said that capital expenditure is a determining factor for the increase and decrease in Makassar City's economic growth. Government expenditure is part of fiscal policy, namely a government action to regulate the course of the economy by determining the amount of government revenue and expenditure each year which is reflected in the APBN document for the national and APBD for the region / region. (Sukirno, 2012) The purpose of this fiscal policy is to stabilize prices, output levels and employment opportunities and spur economic growth. To achieve an increase in economic growth, capital expenditure is needed for the addition of fixed assets such as infrastructure and infrastructure facilities that can support economic activities. This is in line with research conducted (Utami & Indrajaya, 2019) showing that capital

expenditure has a positive effect on economic growth. In line with (Sulaeman & Silvia, 2019) in his research shows that capital expenditure has a significant and positive effect on economic growth.

b. Labor to Economic Growth

Based on the test results, it was found that the labor variable had a positive and insignificant effect on Economic Growth. Thus, it can be said that labor is not a determining factor for the increase and decrease in Makassar City's Economic Growth. One of the factors that become labor problems is the high population growth which can cause various problems and obstacles in economic development, especially labor problems, because the ability of developing countries to create new jobs is very limited. The population growth rate in developing countries is accelerating, causing the number of immature people to increase and the number of family members to increase. In general, in developed countries the population under 15 years of age is 20-30 percent of the total population, while in developing countries it is around 40-45 percent of the total population. In contrast, the productive group of the population is those aged 15-64 years. According to the World Bank, in developed (high-income) countries the age group ranges from 67 percent, while in developing countries with middle and low incomes it ranges from 64 percent and 54 percent. Meanwhile, in Indonesia itself, the problem of population development is related to three things, namely the population growth rate which is still high and needs to be reduced, the distribution of population between unbalanced regions, and the quality of life of the population between regions which is still unbalanced, and the quality of life of the population which is still low so that it needs to be improved. Lewis with the results of his study on the mechanism of labor mobility from the subsistence rural sector to the urban sector which has a higher wage rate. He assumed that surplus rural areas (and even their marginal products can be said to be zero) would move to industrial or trade centers that needed labor (Mulyadi, 2014). The negative impact of migration is the occurrence of an unbalanced level of migration (between in-migration and out-migration). In addition, if there are various other population problems related to the excess number of urbanites in a city, the development of a region is hampered, and productivity decreases due to the lack of productive labor because the population that migrates from the village to the city is not qualified enough. As a result, they even add to the burden on the cities they visit in the form of traffic congestion, slums, and the obligation for the government to provide various infrastructure such as drinking water, electricity, etc. This is in line with research conducted by (Ningsih & Sari, 2018) the results of this test show that labor partially has no significant effect on economic growth.

c. Inflation on Economic Growth

Based on the test results, it was found that the Inflation variable had a negative and insignificant effect on Economic Growth. Thus, it can be said that inflation is not a determining factor for the increase and decrease in Makassar City's Economic Growth. If there is an increase in inflation, it tends to reduce the level of economic growth. Likewise, conversely, if there is a decrease in inflation, it will increase economic growth. Although the relationship that occurs in the very weak category, the role of inflation in influencing economic growth is also quite large. Because the high inflation that occurs will hamper economic development and economic activity in the community to slow down economic activity and ultimately reduce economic growth. If inflation continues, it will have a negative impact on economic growth, for example, if the inflation rate is too high when prices in the market soar, producers will find it very difficult to market their production. The flow of money circulation in society will slow down so that people's income will decrease, and this is an indication of economic growth. This is in line with research conducted by (Dewi & Purbadharmaja, 2013) the results of this test show that inflation has a negative effect on Economic Growth in Bali Province.

5. Conclusion

Based on the results of the following research are the conclusions of this study: Capital Expenditure has a positive and significant effect on economic growth in Makassar City Labor has a positive and insignificant effect on economic growth in Makassar City. Inflation has a negative and insignificant effect on economic growth in Makassar City. Therefore, it is recommended that local governments be more precise in managing and allocating capital expenditures, such as those that are investment rather than consumptive so that they have a direct impact on the economic growth of

Makassar City. Apart from that, it is hoped that the Central Bank as the monetary authority can achieve the inflation target that has been set and together with the government maintain the stability of the prices of domestic goods and services to reduce the inflation rate. The government should increase labor productivity in various sectors by providing skills training for workers and expanding employment opportunities so that output increases by increasing the budget allocation for education and ultimately spurring economic growth. It is hoped that future researchers will be able to develop this research more broadly with the use of different data and time spans.

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