

## The Effect of Investment and Labor on Economic Growth in West Sulawesi Province

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**Abstract:** This article discusses the effect of investment and labor on economic growth in West Sulawesi Province. West Sulawesi Province is one of the regions in Indonesia which has considerable economic potential. Investment and labor are two important factors in driving economic growth in a region. In this article, we will discuss the role of investment and labor and their impact on economic growth in West Sulawesi Province.

**Abstrak:** Artikel ini membahas tentang pengaruh investasi dan tenaga kerja terhadap pertumbuhan ekonomi di Provinsi Sulawesi Barat. Provinsi Sulawesi Barat merupakan salah satu wilayah di Indonesia yang memiliki potensi ekonomi yang cukup besar. Investasi dan tenaga kerja merupakan dua faktor penting dalam mendorong pertumbuhan ekonomi suatu daerah. Dalam artikel ini, akan dibahas mengenai peran investasi dan tenaga kerja serta dampaknya terhadap pertumbuhan ekonomi di Provinsi Sulawesi Barat.

### INTRODUCTION

Economic growth is a country's long-term economic problem towards a better condition. During a certain period and can also be associated with an increase in the production capacity of an economy which is manifested in the form of an increase in national income. Their economic growth is an indication of the success of economic development. Sustainable economic growth is growth that is supported by investment. Growth supported by investment is considered to be able to increase productivity thereby increasing economic growth.

West Sulawesi Province is one of the provinces in Indonesia which has the highest economic growth. Throughout the 2010-2019 period, West Sulawesi experienced the

highest economic growth in 2015 reaching double digits, namely 15.52 percent, which brought West Sulawesi to become the province with the second highest economic growth in Indonesia after NTB. In the following year, West Sulawesi's economic growth slowed to 9.94 percent. Even so, this growth rate is the highest economic growth rate of all provinces in Indonesia.

Investment activity is one of the main factors that will affect the economic growth of a country/region, consisting of physical investment and financial investment. If you look at the investment realization in West Sulawesi, it will appear that investment in West Sulawesi is still dominated by FDI which reached IDR 27.08 trillion, while PMDN was only IDR 4.44 trillion. The realization of the

PMA is the realization of 373 projects that absorb as many as 9,930 Indonesian workers and 63 foreign workers. The largest investment was in the basic metal, metal goods, machinery and electronics industrial sector, amounting to IDR 19.82 trillion. Meanwhile, the PMDN realization value comes from 350 projects that absorb 13,384 Indonesian workers.

The employment situation for West Sulawesi Province in August 2019 showed an increase in the working age population from 2,161.87 thousand people in August 2018 to 2,199.32 thousand people in August 2019. However, the increase in the working age population was not accompanied by an increase in the number of the workforce. In August 2019, the total workforce fell by 16.41 thousand people, from 1,502.97 thousand people in August 2018 to 1,486.56 thousand people in August 2019. This was due to a decrease in the number of working people. The working population has decreased, namely in August 2018 the working population totaled 1,451.49 thousand people, down to 1,439.76 thousand people in August 2019. What has caused the decline in the number of working people is the laying off of workers by several companies due to the absence of production activities.

Based on the background above, this research will look at the phenomenon of the influence of investment and labor on economic growth in West Sulawesi Province

## **Literature review**

### **Economic growth**

Kuznets' view, economic growth is an increase in the long-term capacity of the country concerned to provide various economic goods to its population. The increase in capacity itself is determined or made possible by technological, institutional (institutional) and ideological advances or adjustments to various existing demands. This view offers at least six characteristics or features of the process of economic growth that are found in almost all countries that have now become developed countries (developed countries). The six characteristics of the economic growth process according to Kuznets are:

The growth rate of per capita output and high population growth.

1. High rate of increase in total factor productivity.
2. High degree of economic structural transformation.
3. High degree of social and ideological transformation.
4. There is a tendency for countries that have started or have advanced economies to try to add other parts of the world as new marketing areas and sources of raw materials.
5. Limited spread of economic growth which only reaches about a third of the world's population.

The economic growth of the Solow-Swan is also known as Neoclassical growth. This model is designed to show how growth in the capital stock, growth in the labor force, and advances in technology interact in the economy, and how they affect a country's overall output of goods and services. In this model, long-term economic growth is determined exogenously, that is determined outside the model. This model predicts that eventually there will be convergence in the economy towards steady-state growth conditions that depend only on technological developments and workforce growth. Steady-state conditions indicate long-run economic equilibrium.

### **Investment**

Investment in economics is usually defined as public spending to acquire new capital tools. Because the total investment that occurs in an economy is partly in the form of purchasing new capital instruments to replace capital instruments that are no longer economical to use again and partly in the form of purchasing new capital instruments to increase the capital stock.

Theoretical investment is an attempt to increase capital. In more detail stated by Todaro 4 that investment is part of the total national income (national income) or national expenditure (national expenditure) which is specifically intended to produce capital goods or capital in a certain period. Then gross investment refers to total spending on new capital goods, while net investment is defined as additional capital

goods produced after the process of reducing economic value which is reduced due to use and requires replacement goods.

Investment theory is a part that often becomes a factor in various development theories, as one of the examples above is the Harrod-Domar growth theory where investment is a driver or accelerator of economic growth and increases national income. The theoretical investment put forward, that investment is spending to buy capital goods and production equipment with the aim of replacing and especially adding to capital goods in the economy that will be used to produce goods and services in the future. In other words, investment is a shopping activity to increase the capacity to produce something in the economy. Investments made in the present are closely related to the prospect of obtaining profits in the future.

According to the Law of the Republic of Indonesia No. 25 of 2007 concerning Investment, the objectives of holding investment include:

1. Increasing national economic growth.
2. Creating jobs.
3. Promote sustainable economic development.
4. Increasing the competitiveness of the national business world.
5. Increase the capacity and capability of national technology
6. Encouraging the development of the people's economy.
7. Processing economic potential into real economic power by using funds originating from within the country as well as from abroad. Improving community welfare

### **Labor**

The success of an economic development is influenced by production factors. Factors of production are often defined as anything that is technically necessary to produce a good or service. These factors of production include building equipment, labor, machinery and capital, which in general can be categorized into human and non-human inputs.

According to Simanjuntak, the workforce includes residents who are already or are working, those who are looking for work and those who do other activities such

as going to school and taking care of the household. Job seekers, go to school and take care of the household even though they are not working, but are physically capable and can join work at any time. The definition of workforce put forward by Simanjuntak has a broader meaning than workers/labourers. The definition of workforce here includes workers/laborers who are currently involved in an employment relationship and workers who have not yet worked. While the definition of worker/labourer is every person who works by receiving wages or other forms of remuneration. In other words, workers or laborers are workers who are in an employment relationship

Mulyadi also defines labor as residents of working age (aged 15-64 years) or the total population in a country who can produce goods and services if there is a demand for their labor, and if they want to participate in these activities.

According to Murti, workers are individuals who offer the skills and abilities to produce goods or services so that the company can make a profit and for that the individual will receive a salary or wage according to the skills he has.

Based on the definition above, it can be concluded that what is meant by workforce is every resident who is able to produce goods and services to meet their daily needs, with a minimum age limit of the workforce, namely 15 years.

### **METHOD**

This research uses approach review literature. This approach is one method research that is very useful in conducting analysis and synthesis to sources literature related to the topic study certain. Method This research can be done in various ways fields of science, such as social sciences, health, engineering, and so forth. Several advantages from method study Literature reviews include:

1. Efficient and time-saving: Methods study Literature review allows researchers to collect and analyze data from sources existing literature, so as to save time and money required to conduct field research.

2. Provide Extensive information : Methods study review literature can provide extensive and in - depth information about topic research researched, with due regard perspectives and research results from various sources selected literature .
3. Clarify issues research: Methods study literature review can help clarify issues research related to the topic research , so that it can assist in formulating objective research and hypotheses that will tested .
4. Increase accuracy research: Methods study Literature review can help in improving accuracy research , paying attention research methodology and results from sources selected literature.

Experts own diverse opinion on approach review literature . Several experts state that literature review is important method to obtain deep understanding \_ about topic research and acquire the latest information in the field certain . Approach Literature review can also help in determining appropriate research and identify deficiencies or gaps necessary research further investigated.

## **RESULTS AND DISCUSSION**

### **Investment Role Against Economic Growth in West Sulawesi Province**

Investment plays an important role in economic growth in West Sulawesi, as in many other areas. Here are some roles investment in economic growth in West Sulawesi:

1. Encouraging Infrastructure Development: Investment can be used to finance development infrastructure such as roads, bridges, ports, airports, and energy electricity. Good infrastructure is an important foundation for economic growth, because it can increase connectivity, make easy mobility goods and services, as well push economic activity in the area.
2. Increase Productivity and Innovation : Investments in technology , equipment , and research and development can increase productivity and drive innovation in various economic sectors . This can help increase Power competitive industry and sector business in West

Sulawesi, as well stimulate sustainable economic growth.

3. Job Creation : Significant investment can create opportunities for new jobs in West Sulawesi. With more jobs, level unemployment can be reduced, increase the well-being of the community, and provide an impact positive for economic growth.
4. Stimulation Consumption and Demand: Increased investment can yield enhancement income for society. It can drive consumption and demand domestically , which in turn can encourage economic growth in various sectors, such as trade, services, and industry.
5. Increase Cross Sector Investment : Significant investment in one \_ sector can push investment in other sectors. For example, investment in the sector tourism can encourage investment in the sector hospitality, transportation, and other supporting services.

It can create a domino effect throughout West Sulawesi's economy and increase growth related sectors .

West Sulawesi Province has sectors of excellence that have a potency great at pushing economic growth. Some decent sectors \_ noticed among others:

- a) Agriculture: West Sulawesi has fertile land suitable for agriculture. Development sector farming can involve using modern technology, diversification plant and development system irrigation to increase productivity and quality of agricultural products.
- b) Fishery: With a long coastline, West Sulawesi has potency source Power abundant fishery. Development, cultivation of fisheries and improvement capacity to capture fish production can provide significant contributions to economic growth .
- c) Tourism: Beauty, nature and wealth. West Sulawesi culture offers a lot of tourism . \_ Development infrastructure adequate tourism, effective promotion, and

preservation of the environment Nature is the key in utilizing this sector.

### **Investment Role Against Economic Growth in West Sulawesi Province**

Role power work is very important in economic growth in West Sulawesi. Here are some points explaining \_ role power work in economic growth :

1. Job Creation : Workforce is source Power people who actively participate in economic activities. Strong economic growth needs enough job creation to absorb the power of existing work. With more jobs, level unemployment can be reduced, income public increases, and power buy increases. It will push economic growth in West Sulawesi.
2. Labor Productivity and Quality: Productivity \_ power Work role important in economic growth. Provision Quality training and education can improve \_ skills, knowledge, and abilities power work . Skilled and educated workforce \_ \_ tall tend to be more productive and capable of adapting to technological changes and market demands. Accordingly, investing in the increased quality of power Work will contribute positively to economic growth in West Sulawesi.
3. Consumption and Demand: Labor that earns stable and sufficient tends to own Power buy higher. It encourages domestic consumption and demand for goods and services. Strong consumption will push growth sector trade, services, and industry in West Sulawesi. In this case, role power work as a consumer becomes important in encouraging economic growth.
4. Innovation and Entrepreneurship : Creative , innovative and entrepreneurial workforce can be the driving force of economic growth . They can create new ideas, initiate their own business , and develop new industries and sectors .

Government and stakeholders interests in West Sulawesi can push development Skills entrepreneurship and give support for innovation and creativity power work. This initiative will speed up economic growth in the area.

5. Labor Migration and Mobility : Mobility power employment , both from within and outside West Sulawesi, can also contribute to economic growth. Migration power work to areas with better economic potential can help reduce gap employment and strengthen sectors in need of power work. However, it's important to pay attention to protection rights power Work Migrant and sure exists a decent job \_ for power Work local.

In order to support economic growth , it is important for government and stakeholders interests in West Sulawesi to develop supportive policies Skills power employment , create sustainable employment, ensure protection power work, as well push entrepreneurship and innovation.

### **CONCLUSION**

Pernana investment and manpower Work to economic growth in West Sulawesi is that these two factors play an important role in pushing the economic growth of the area .

Investment on its own has a significant positive to West Sulawesi's economic growth. Investments can bring new capital, technology, and knowledge to the area. Investments in sectors such as infrastructure , industry, tourism, and agriculture can create new jobs, increase productivity, and increase Power regional economic competitiveness. Government and private parties need to work together to create a conducive environment for investment, including provision incentive, increase infrastructure, and reduce bureaucracy.

A qualified workforce is also a factor important in the economic growth of West Sulawesi. Enhancement quality power work through education, training, and development skills can improve productivity and innovation. Government needs to focus on

improving accessibility and quality education, bonding sector partnerships industry to identify needed skills, and facilitation training that is relevant to the demands of the job market. In addition, the government must also pay attention issues employment, such as protection rights workers, justice social, and reduction gap income .

In order to reach sustainable economic growth in West Sulawesi, investment and improved quality power work must be linked and strengthened. The right investment in strategic sectors will open opportunities for new work and improve requests will power quality work. Meanwhile, power quality work will interest further investment and help in utilization regional economic potential in a manner maximum .

By making a concerted effort in digging potency investment and upgrading quality power work , it is hoped that West Sulawesi can achieve sustainable economic growth , increased employment , and improve the well-being of the people in the area.

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