Bima Journal – Bussiness Management and Accounting

Available online at : http://journal.pdmbengkulu.org/index.php/bima

DOI:https://doi.org/10.37638/bima. 6.2. 1407–1414

Effect Of Government Spending And Investment On Economic Growth In South Sulawesi

Sitti Amina[1*]; I Ketut Patra[2)]; Sri Wahyuny Mustafa[3)]

[1,2,3)] ***Department of Economic Development, Faculty of Economic and Business, Universitas Muhammadiyah Palopo***

*__Corespondent Author:__ **minalallongmangsar@gmail.com**

How to Cite :

Amina, S.; Patra, I. K.; Mustafa, S. W. (2025). *Effect Of Government Spending And Investment On Economic Growth In South Sulawesi. Bima Journal : Business, Management and Accounting Journal,* 6 (2). 1407 - 1414. DOI: https://doi.org/10.37638/bima. 6.2. 1407–1414

ARTICLE HISTORY

Received [15 August 2025]
Revised [27 Sept 2025]
Accepted [24 December 2025]

KEYWORDS

Government Spending; Investment; Economic Growth.

This is an open access article under the CC–BY-SA license

ABSTRACT

Purpose: *This study aims to analyze the effect of government spending and investment on economic growth in South Sulawesi Province.* ***Methodology:*** *This research employs a quantitative approach using secondary data and multiple linear regression analysis to examine the relationship between government spending, investment, and economic growth.* ***Results:*** *The results indicate that government spending has a significant positive effect on economic growth, while investment does not show a statistically significant effect when analyzed individually. However, simultaneous analysis reveals that government spending and investment together significantly influence economic growth.* ***Novelty:*** *This study provides empirical evidence on the differing impacts of fiscal and investment variables on regional economic growth in an Indonesian provincial context.* ***Findings:*** *Well-managed government spending, particularly in strategic sectors, plays a more dominant role in stimulating economic growth compared to investment alone.* ***Originality:*** *The originality of this study lies in its focus on South Sulawesi Province using recent regional economic data to assess fiscal and investment effectiveness.* ***Conclusions:*** *Optimizing government spending allocation and improving the effectiveness of investment policies are essential to achieving sustainable economic growth in South Sulawesi.* ***Type of Paper:*** *Empirical Quantitative Research Paper.*

INTRODUCTION

Economic growth is one indicator that shows the extent to which development has been carried out and serves as a macro measure. However, despite being a marker of development progress, economic growth is still general in nature and does not fully describe the overall capabilities of society (Brynjolfsson et al., 2019). Economic growth is also expected to benefit from regional development. Government investment and spending, both in the public and private sectors, are key factors in economic expansion. However, other variables such as the quality of the workforce and the efficiency of resource allocation can influence its effectiveness. In a regional government system, economic growth is typically indicated by an increase in the production of goods and services, measured through regional Gross Domestic Product (Arifin, 2022).

Government spending is crucial to driving regional economic expansion and attracting investment, particularly in developing regions such as South Sulawesi. This region possesses abundant natural resources, particularly in the mining, plantation, agriculture, and fisheries sectors.

However, to ensure that these potentials can develop optimally and sustainably, government investments must be managed and allocated effectively (Khonjelwayo & Nthakheni, 2020).

In this case, government spending not only covers routine spending but also investments in health, education, infrastructure development, and the empowerment of other productive sectors that can improve regional competitiveness. This aligns with the National Medium-Term Development Plan (RPJMN) 2020–2024, which emphasizes the importance of government spending to drive investment and economic growth, as well as the Indonesian government's focus on promoting equitable development and attracting investment to support economic growth. Additionally, the government's role is crucial, particularly in regulating a country's economic development and securing capital for investments that will drive economic expansion (Lebang et al., 2017).

Government investment in infrastructure development, particularly in the areas of energy access and transportation, is expected to improve interregional connectivity, reduce production costs, and increase productivity in key economic sectors in South Sulawesi. Additionally, investments in the education and vocational training sectors that improve human resource quality play a crucial role in attracting capital from both public and private sectors. Therefore, effective and beneficial government spending is expected to enhance investor appeal and significantly boost regional economic growth (Ibrahim, 2019).

Government spending is a key factor in economic development. According to (Connolly & Li, 2016) if the private sector's contribution to economic growth declines, the government can boost economic growth by increasing government spending. Larger government spending can drive growth in other industries. South Sulawesi Province offers great potential for the mining, tourism, and agriculture industries. However, the biggest challenge is how to maximize the current economic potential by maximizing government spending and attracting investment. Therefore, to create more effective policies, it is important to understand how investment and government spending influence economic growth in South Sulawesi Province.

Government spending is the main tool for promoting economic growth through increased investment, consumption, and income redistribution. However, fiscal risk management, transparency, and good budget allocation are necessary to achieve effectiveness. According to (Anitasari & Soleh, 2021), government spending is one of the elements of fiscal policy, which refers to the steps taken by the government to regulate the economy by determining the amount of national income and expenditure each year. This fiscal policy aims to promote or support economic growth by stabilizing prices, output levels, and employment opportunities.

Keynesian theory states that government spending can increase aggregate demand in the economy, especially during a recession or slowdown. The government creates jobs, increases public consumption, and attracts private sector investment by increasing government spending in areas such as infrastructure, health, and education. Government spending is a key factor in economic development. If the private sector's contribution to economic growth declines, the government can boost economic growth by increasing government spending. Greater government spending can drive growth in other industries.

Research conducted by (Abdillah & Primitasari, 2023), shows that government spending has a significant impact on economic growth, similar to the research by (Nur & Naldi, 2016) and (Anitasari & Soleh, 2021). The results differ from the study by (Widianatasari & Purwanti, 2021), which found that government spending does not have a significant impact on economic growth, similar to the studies by (Wahyudi, 2020) and (Andi Wijaya, 2019).

Investment is defined as capital expenditure or capital investment made to obtain assets and profits in the future (Mustafa, 2019). Investment can be in the form of government investment or private investment, both domestic and foreign. Strategic government investment can encourage private investment by creating a more stable economic environment and supporting infrastructure (Handayani & Daryono Soebagiyo, 2022). Investment can be made in various sectors, such as tourism, agriculture, trade, and infrastructure. According to Harrod-Domar in classical economic

growth theory, one of the important factors in determining the rate of economic growth is investment. According to this idea, an increase in investment will result in capital accumulation that drives economic growth and productivity (Aqila et al., 2023).

Long-term and short-term economic growth is greatly influenced by investment. Investment in the economy refers to the acquisition of capital goods, such as buildings, machinery, infrastructure, and technology, which are used to produce goods and services in the future. The relationship between investment and economic growth is explained below. Consideration is given to profitable industries that are free from the risk of loss, with the aim of improving production items or methods in the long term. The expected income to be received from capital goods in the future is a direct component of the investment dilemma. One important element in determining the quantity of investment is income growth (Jubir et al., 2023).

Research conducted by (Khakim, 2020) shows that the impact of government investment has a significant effect on economic growth, similar to the research conducted by (Apriliansah, 2024). This result differs from the research conducted by (Minahasa, 2024), which shows that government investment does not have a significant impact on economic growth, similar to the research conducted by (Kesia Dumais et al., 2022).

According to research (Patra, 2022), one measure of a society's welfare is economic growth. Economic growth is a measure of a society's welfare. It can be proven that when a region's economy grows, the entire community will benefit fairly. According to the Inverted U Curve and Kuznets Hypothesis, income distribution tends to worsen in the early stages of expansion but improves in the later stages.

If current economic activity is higher than in the past, then the economy is considered to be doing well. An increase in the production of goods and services as determined by the GRDP is a sign of economic growth in the regional government system. The gross value added of goods and services produced or created within the borders of a country as a result of various economic activities during a certain period of time is known as regional gross domestic product, or GDP. This applies regardless of whether the factors of production are owned by residents or non-residents (Jubir et al., 2023).

Economic growth affects other macroeconomic outcomes, and is often used as a key indicator of a region's progress. The higher the economic growth of a region, the higher the level of welfare of the people living there. According to (Kogoya et al., 2022), economic growth is a long-term process of increasing regional per capita income, and is therefore closely related to increases in the production of goods and services, as measured by gross regional domestic product.

The purpose of this study was to determine how much influence government expenditure and investment have on economic growth in South Sulawesi Province. To encourage equitable and sustainable economic development, research findings are also expected to provide strategic advice to economic actors and local governments on how to improve the effectiveness of resource management.

METHOD

This research was conducted in South Sulawesi Province using secondary data obtained from the Central Bureau of Statistics (BPS). The research time covers the data period from 2010 to 2020 for time series analysis. The type of research used is quantitative research with an ex post facto approach, because the data analyzed is historical data that cannot be manipulated by researchers. The variables in this study consist of one dependent variable, namely economic growth, and two independent variables, namely government spending and investment. The sampling technique was carried out using the census method, because all districts and cities in South Sulawesi Province were used as units of analysis, so there was no random sample selection. The data collection technique used was a documentation study, namely by accessing secondary data from official agencies, especially the Central Bureau of Statistics. For data analysis techniques, this study used multiple

linear regression to determine the effect of government spending and investment on economic growth. The analysis is also complemented by classical assumption tests, such as normality, multicollinearity, heteroscedasticity, and autocorrelation tests to ensure the validity of the regression model used.

RESULTS AND DISCUSSION

RESULTS

Tabel 1. Classical Assumption Test

Test	Assumption	value	Conclusion
Normality Test	Kolmogorov-Smirnov		
Unstandardized Residual		0.200	Normally distributed data
Multicollinearity Test	VIF (Variance Infalation Faktor) <5		
Government spending (X1)		1.091	No multicollinearity issues
Investment (X2)		1.091	
Heteroscedasticity Test	Breusch-pagan		
Government Spending (X1)		0.811	No heteroscedasticity issues
Investment (X2)		0.894	
Autocorrelation Test	Runs-Test		
Unstandardized Residual		0.502	No autocorrelation issues

Source: Data was processed using SPSS version 25

Normality Test

Based on the normality test table using the Kolmogorov-Smirnov statistical test, the Asymp. Sig (2-tailed) value obtained was 0.200. This value is greater than the significance level of 0.05 (0.200 > 0.05), so it can be concluded that the tested data follows a normal distribution.

Multicollinearity Test

Based on the multicollinearity test table, the VIF value for the Government Expenditure variable (X1) is 1.091, and for the Investment variable (X2) is 1.091. Since the VIF values for all variables are below 10, it can be concluded that the data is free from multicollinearity issues.

Heteroscedasticity Test

Based on the above test results, the significance value of the correlation between Government Expenditure and Unstandardized residual is 0.811, and between Investment and Unstandardized residual is 0.894. Since all correlation significance values are greater than 0.05, it can be concluded that this regression model does not have heteroscedasticity issues.

Autocorrelation Test

Based on the output results above, the Asymp. Sig (2-tailed) value is 0.502, which is greater than 0.05. This indicates that the data used is sufficiently random, so there are no autocorrelation issues in the tested data.

Tabel 2. Multiple Linear Regression Test

Variable	Coefficient (B)	Std. Error	t-value	p-value	Significance
Konstanta	.811	.568	1.427	.191	Insignificant
Government Spending (X1)	.506	.026	19.247	.000	Significant
Investment (X2)	.025	.017	1.471	.179	Insignificant
R-Squared (0.981)					
Adjusted R-Squared (0.977)					

Source: Data was processed using SPSS version 25

Multiple Linear Regression Analysis

The regression results in the table above show the characteristics of each variable as follows:

a. The constant is 0.811, which means that if the values of the Government Expenditure and Investment variables are equal to 0, then the Economic Growth value is 81.1%.
b. The regression coefficient for the Government Expenditure variable is 0.506, indicating that every 1% increase in the Government Expenditure variable will increase Economic Growth by 50.6%.
c. The regression coefficient for the Investment variable is 0.025, indicating that every 1% increase in the Investment variable will increase Economic Growth by 2.5%.

Partial Test (t-test)

Government Expenditure (X1) has a t-value of 19.247, which is greater than the t-table value of 2.306, and a significance value of 0.000, which is less than 0.05. Therefore, H1 is accepted and H0 is rejected, indicating that Government Expenditure has a significant effect on Economic Growth (Y). Meanwhile, Investment (X2) has a t-value of 1.471, which is less than the t-table value of 2.306, with a significance level of 0.179, which is greater than 0.05. This leads to the acceptance of H0 and the rejection of H1, meaning that Investment does not significantly affect Economic Growth (Y).

Multiple Correlation Test (R) and Coefficient of Determination (R2)

The analysis results show an R value of 0.981, indicating a very strong relationship between Government Expenditure (X1) and Investment (X2) on Economic Growth (Y), as the correlation value is in the range of 0.80-1. Based on this test, the adjusted R-squared value is 0.977, meaning that the variables Government Expenditure (X1) and Investment (X2) account for 97.7% of the variation in Economic Growth (Y), while the remaining 2.3% is influenced by other factors not included in this research model.

DISCUSSION

The Effect of Government Spending on Economic Growth

Based on the results of the study, government spending (X1) was found to have a significant effect on economic growth (Y). These findings align with previous studies, such as those conducted by (Abdillah & Primitasari, 2023), (Anitasari & Soleh, 2021), and (Jubir et al., 2023), which indicate that effective government spending in sectors such as infrastructure, education, and healthcare can boost economic growth. According to (Isnowati & Setiawan, 2021), well-managed government

spending will support regional competitiveness, create jobs, and improve the quality of life of the community, thereby promoting higher economic growth.

The Effect of Investment on Economic Growth

Based on the research, it was found that investment (X2) has a positive but insignificant impact on economic growth, which is in line with the findings of (Khakim, 2020) and (Aqila et al., 2023). Investment, both from the public and private sectors, plays an important role in increasing production capacity and opening up new opportunities in various sectors, such as tourism, agriculture, and industry. According to (Akinyele et al., 2023), with increased investment, the economy will be more productive, which will ultimately contribute to more stable and sustainable economic growth.

Investments that do not have a significant impact on economic growth can be caused by several factors. Limited infrastructure, dependence on certain sectors without diversification, and low quality of human resources hinder investment potential. In addition, unsupportive policies, economic and social instability, and limited local markets and access to global markets also reduce the positive impact of investment on regional economic growth (Sulistiawati, 2012).

CONCLUSION

Based on the results of research conducted in South Sulawesi Province, it can be concluded that government spending has a significant effect on economic growth. Increased government spending, especially in important sectors such as infrastructure, education, and health, can drive higher economic growth. On the other hand, although investment shows a positive influence on economic growth, this influence is not statistically significant. However, when both variables (government spending and investment) are analyzed simultaneously, both are proven to have a significant influence on economic growth. This highlights the importance of both factors in supporting economic development in the region.

Increased Government Spending: Local governments in South Sulawesi need to increase budget allocations for sectors that can directly support economic growth, such as infrastructure, education, and health. Targeted budget management will increase regional competitiveness and attract more investment. Additionally, optimizing investment, although investment does not have a significant impact in this study, it remains important to create policies that can attract investment, both domestic and foreign, especially in potential sectors such as mining, agriculture, and tourism. Simplifying regulations and improving investment facilities will help increase this sector's contribution to economic growth. Furthermore, collaboration between government spending and investment is essential to promote more stable and sustainable economic growth. The government must collaborate with the private sector in designing and implementing strategic development projects. This will accelerate the achievement of economic development goals in the region.

ACKNOWLEDGMENTS

On this occasion, the authors would like to express their deepest gratitude to all those who have provided support and contributions in the completion of this journal. First of all, the author would like to thank Mr. I Ketut Patra, S.E., M.Si, and Mrs. Dr. Sri Wahyuny Mustafa, S.E., M.Si, as supervisors, for their guidance, direction, and valuable input at every stage of writing this journal. Hopefully the knowledge and experience provided can be useful for the author and readers of this journal. Furthermore, the author would also like to thank Universitas Muhammadiyah Palopo for providing facilities and support during the research and writing process of this journal. Thank you for the opportunity to conduct the research that is the basis of this journal. Last but not least, the author

would like to thank all colleagues and friends who have provided assistance, both directly and indirectly, in the completion of this journal. Thank you for your moral support, suggestions, and constructive discussions. Finally, the author realizes that this journal is still far from perfection, therefore the author sincerely hopes for constructive criticism and suggestions for future improvements.

REFERENCES

Abdillah, I. I., & Primitasari, N. (2023). Pengaruh Pengeluaran Pemerintah Sektor Pendidikan, Kesehatan, dan Infrastruktur Terhadap Pertumbuhan Ekonomi di Wilayah Indonesia Bagian Timur. *Jurnal Ilmu Ekonomi JIE*, *7*(03), 494–503. https://doi.org/10.22219/jie.v7i03.28265

Akinyele, O. D., Oloba, O. M., & Mah, G. (2023). Drivers of unemployment intensity in sub-Saharan Africa: do government intervention and natural resources matter? *Review of Economics and Political Science*, *8*(3), 166–185.

Andi Wijaya, F. (2019). Analisis Dampak Pengeluaran Pemerintah Terhadap Pertumbuhan Ekonomi (Studi Kab/Kota Di Jawa Timur). *Jurnal Simki Economic*, *3*(02), 1–22.

Anitasari, M., & Soleh, A. (2021). *Pengaruh Pengeluaran Pemerintah Terhadap Pertumbuhan Ekonomi Di Provinsi Bengkulu*. 117–127.

Apriliansah, L. (2024). Analisis Pengaruh Investasi Terhadap Pertumbuhan Ekonomi. *JICN: Jurnal Intelek Dan Cendikiawan Nusantara*, *1*(2), 2401–2413.

Aqila, N., Patra, I. K., & Maming, R. (2023). Faktor-Faktor Yang Berpengaruh Terhadap Pertumbuhan Ekonomi Di Luwu Raya. *Efektor*, *10*(1), 78–87. https://doi.org/10.29407/e.v10i1.19362

Arifin, N. R. (2022). Determinants of Superpower Economic Growth. *Iqtishodiyah: Jurnal Ekonomi Dan Bisnis Islam*, *8*(1), 68–82.

Brynjolfsson, E., Collis, A., & Eggers, F. (2019). Using massive online choice experiments to measure changes in well-being. *Proceedings of the National Academy of Sciences*, *116*(15), 7250–7255.

Connolly, M., & Li, C. (2016). Government spending and economic growth in the OECD countries. *Journal of Economic Policy Reform*, *19*(4), 386–395.

Handayani, A. N., & Daryono Soebagiyo, M. E. (2022). *Analisis Dampak Defisit Anggaran Terhadap Penurunan Investasi Swasta (Crowding Out) Di Indonesia Tahun 1999-2020*. Universitas Muhammadiyah Surakarta.

Ibrahim, C. (2019). Government spending and non-oil economic growth in the UAE. *Economics and Business*, *33*(1), 82–93.

Isnowati, S., & Setiawan, M. B. (2021). Investment and Government Expenditure and Investment Economic Growth in Central Java, Indonesia. *The 3rd International Conference on Banking, Accounting, Management and Economics (ICOBAME 2020)*, 378–380.

Jubir, J., Ikbal, M., Hamid, R. S., & Goso, G. (2023). Pengaruh Pengeluaran Pemerintah Dan Investasi Swasta Terhadap Pertumbuhan Ekonomi Di Kabupaten Luwu. *Jesya*, *6*(1), 71–91. https://doi.org/10.36778/jesya.v6i1.900

Kesia Dumais, J., Christina Rotinsulu, D., & Sumual, J. I. (2022). Analisis Pengaruh Investasi, Tenaga Kerja Dan Pengeluaranpemerintah Terhadap Pertumbuhan Ekonomi Di Kabupatenminahasa Utara. *Berkala Ilmiah Efisiensi*, *22*, 37–48.

Khakim, R. (2020). Pengaruh Investasi terhadap Pertumbuhan Ekonomi dan Penyerapan Tenaga Kerja Serta Kesejahteraan Masyarakat di Provinsi di Indonesia. *Jurnal Ekonomi Bisnis Dan Kewirausahaan*, *3*(1), 29–50.

Khonjelwayo, B., & Nthakheni, T. (2020). Investment in electricity distribution capital infrastructure in South Africa: The role of regulation. *South African Journal of Economic and Management Sciences*, *23*(1), 1–10.

Kogoya, K., Kawung, G. M. ., & Siwu, H. F. D. (2022). *Pengaruh Pengeluaran Pemerintah Dan Investasi Terhadap Pertumbuhan Ekonomi Di Provinsi Papua*. *22*(7), 97–108.

Lebang, L. I. A., Rotinsulu, D. C., & Kawung, G. M. V. (2017). Analisis Pengaruh Pengeluaran Pemerintah Dan Investasi Swasta Terhadap Pertumbuhan Ekonomi Di Kota Bitung. *Jurnal Pembangunan Ekonomi Dan Keuangan Daerah*, *19*(1), 1–10.

Minahasa, K. (2024). *3 1,2,3*. *24*(7), 28–42.

Mustafa, S. W. (2019). Pengaruh Investasi Swasta Terhadap Penyerapan Tenaga Kerja Sektor Pariwisatan Dikota Palopo. *Journal of Institution and Sharia Finance*, *2*, 30–39.

Nur, M., & Naldi, N. (2016). Pengaruh Pengeluaran Pemerintah Dan Jumlah Uang Beredar Terhadap Pertumbuhan Ekonomi Indonesia. *Jurnal Ekonomi KIAT*, *27*(1), 8–12.

Patra, I. K. (2022). Pengaruh Pertumbuhan Ekonomi Terhadap Ketimpangan Pembangunan Di Kota Palopo. *Elastisitas - Jurnal Ekonomi Pembangunan*, *4*(2), 192–201. https://doi.org/10.29303/e-jep.v4i2.64

Sulistiawati, R. (2012). Pengaruh investasi terhadap pertumbuhan Ekonomi dan penyerapan tenaga kerja serta kesejahteraan masyarakat di Provinsi di Indonesia. *Jurnal Ekonomi Bisnis Dan Kewirausahaan*, *3*(1), 29–50.

Wahyudi. (2020). Pengeluaran Pemerintah dan Implikasinya Terhadap Pertumbuhan Ekonomi dan Tingkat Kemiskinan di Indonesia. *Prosiding Seminar Akademik Tahunan Ilmu Ekonomi Dan Studi Pembangunan*, 103–113.

Widianatasari, A., & Purwanti, E. Y. (2021). Pengaruh Kualitas Institusi, Pengeluaran Pemerintah, dan Foreign Direct Investment terhadap Pertumbuhan Ekonomi. *Ecoplan*, *4*(2), 86–98. https://doi.org/10.20527/ecoplan.v4i2.286