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The Influence of Inflation, Domestic Investment and Foreign Investment on Economic Growth

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Abstract

This study aims to determine the effect of inflation, PMDN, and PMA on the economic growth of Makassar City in 2008.2017. The research location is in Makassar City, and the data collection center is at the BPS (Central Statistics Agency) South Sulawesi and BKPMD South Sulawesi Province using secondary data (Time Series) for a period of 10 years (2008-2017). The analytical model used in this study is descriptive statistics, model testing, and multiple linear regression analysis using SPSS 21. The results show that inflation has a positive but not significant effect on increasing economic growth in Makassar City from 2008-2017. PMDN has a negative and insignificant effect on increasing Makassar City's economic growth from 2008-2017. If there is an increase in PMDN, it will reduce economic growth in Makassar City and vice versa. If there is a decrease in PMDN, it will increase economic growth in Makassar City. PMA has a positive but not significant effect on increasing economic growth in Makassar City from 2008-2017.

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1 Introduction

Economic growth for an area is a benchmark to see how successful the economic development is in that area and the determinants of subsequent development policies (Ma'ruf & Wihastuti, 2008). Economic growth is a long-term increase in the ability of a country to provide a variety of goods to its population. Economic growth is the development of activities in the economy that causes goods and services produced in society to increase (Sukirno, 2017). A country can experience economic growth if there is an increase in national income (Maryaningsih et al., 2014). This increase in national income can be seen from the Gross Domestic Product (GDP), while for a region to see its regional income, it can be seen from the Gross Regional Domestic Product (GDP) (Hamza & Agustien, 2019). GRDP is one indicator of the economic growth of a country/region/region. Todaro & Smith, (2002) explain that GRDP is the total value of all final outputs produced by an economy at the regional level (whether that is done by residents or residents from other areas who live in the area).

Growth of Gross Regional Domestic Product (GRDP) is the value expressed in monetary units for all goods and services produced by a region in a certain period. The value of GRDP shows the ability of economic

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resources produced by an area and is usually calculated within one year. The GRDP growth generated by a region is the simultaneous performance of all economic actors. Apart from the government, economic actors are households, businessmen, and related foreign parties in exports and imports. One of the macro indicators of GRDP of Makassar City can be used to measure the performance of regional economic development and examine the ability of the region to create added value generated by all production factors in Makassar City. In terms of the use of the Makassar City GRDP, it can also show the distribution of Makassar City's economic development to meet domestic demand in the form of consumption and investment. The details of Makassar City GDP at constant prices can be seen in table 1.

Table 1. GRDP at Makassar City Constant Prices in 2008-2017

Year	GRDP Constant Price (Rp)
2008	48.823.764.933
2009	53.315.551.307
2010	58.556.470.000
2011	64.662.103.620
2012	70.851.010.000
2013	76.907.410.000
2014	82.592.000.000
2015	88.828.150.000
2016	95.960.510.000
2017	103.857.090.000

Source: BKPMD of South Sulawesi Province, processed 2019

Table 1 shows that the development of GRDP at constant prices in Makassar City from 2008 to 2017 generally shows an increase every year. It shows that the overall level of the economy in Makassar City has increased. Economic growth in Makassar City tends to be positive, and this condition will impact increasing welfare in Makassar City. As it is known that, each region has a growth pattern that is different from other regions. Therefore, planning for the economic development of a region first needs to recognize the economic, social, and physical characteristics of the region itself. Thus, no regional economic development strategy can apply to all regions (Junaidi & Zulgani, 2011). In addition, each region also has different natural resources. Therefore, there must be a strong desire from the regional government to encourage the community to participate in utilizing and developing these resources to form the desired regional economic development because natural resources are one of the factors driving regional growth in addition to investment patterns, technology, and the development of transportation infrastructure. However, objective conditions show that the regions usually experience difficulties in developing the economy due to several obstacles, including the problem of lack of capital.

The alternative that the government can do in the context of capital formation is to increase investment. Investment has been agreed to be one of the keywords in every discussion in economic concepts, job creation, poverty reduction, and even investment is the primary driver of economic growth. Investment (Investment) in Indonesia consists of Domestic Investment (PMDN) and Foreign Investment (PMA). Investment is an expenditure or investment or company to buy capital goods and production equipment to increase the ability to produce goods and services available in the economy. Other benefits of foreign investment include higher productivity and more revenue for the government through taxes, improved balance of payments capabilities, job creation, modernization, and development of related industries. Foreign investment has a beneficial effect in encouraging technological development, managerial expertise, exports, and higher growth (Sukirno, 2013). The growth of a healthy and competitive investment climate is expected to spur the development of mutually beneficial investments in regional development. The progress of investment realization of Domestic Investment (PMDN) and Foreign Investment (PMA) in Makassar City for the period 2008-2017 can be seen in table 2.

Table 2. Development of Makassar City PMDN and PMA Investment Realization in 2008-2017

Year	Investasi PMDN (Rp)	Investasi PMA (Rp)
2008	928.375.120.000	203.988.316.500
2009	195.424.523.000	130.455.531.200
2010	295.446.530.000	100.874.340.000
2011	872.311.000.000	156.163.600.000
2012	464.166.000.000	185.673.300.000
2013	581.586.300.000	920.031.200.000
2014	546.869.000.000	933.446.000.000
2015	856.449.300.000	314.616.000.000
2016	906.046.100.000	766.885.000.000
2017	762.295.070.000	373.419.200.000
Total	**6.408.968.943.000**	**4.085.552.487.700**

Source: BKPMD of South Sulawesi Province, processed 2019

Based on table 2, it can be seen that during 2008-2017 PMDN investment in Makassar City was realized with a total value of Rp 6,408,968,943,000. Meanwhile, PMA investment was realized at Rp. 4,085,552,487,700. Over the last ten years, it can be seen that FDI and PMDN investments have experienced ups and downs. However, this does not mean that economic development is slow and vice versa because it is important is not the amount of investment in the value of money or the number of projects, but the efficiency or productivity of these investments.

Inflation is one of the important economic indicators that can provide information on the development of prices for goods and services paid by consumers (Atmadja, 1999). Inflation is one of the essential factors that affect the level of investment. The tendency of high or increasing inflation (inflation rate) will result in a reduced number of investors in a country. A high inflation rate certainly causes high investment risk for investors. It is what causes investors to be less interested in investing in countries with high inflation rates. Inflation in Indonesia from 1968 to 2012 was classified as high and continued continuously and has been rooted throughout Indonesia's economic history while economic growth experienced high and continuous economic growth (high sustainable economic growth). Political changes in 1966 and economic reforms and security stability brought the inflation rate down quickly. From the late 1960s to the late 1990s continued until 2012, Indonesia experienced moderate inflation of around 10-15 percent annually except during four external shocks. Inflation in 1968 reached 126.32 percent, which was still strongly influenced by the hyperinflation of the old order. Table 3 shows the development of the inflation in Makassar City during the period 2008-2017. Inflation developments in Makassar City fluctuated. The inflation rate reached its highest level in 2008 at 11.79. It is due to the increase in fuel prices, mainly driven by the increase in oil prices. By looking at Table 1, Table 2, and Table 3, it can be said that the increase in the GRDP growth rate in Makassar City for the period 2008-2017 was not always followed by a decrease in inflation, as well as an increase in investment, both PMA, and PMDN. By looking at the GRDP growth of Makassar City, which always increases from year to year, the author wants to see whether economic growth is influenced by inflation, Domestic Investment, and Foreign Investment.

Table 3. Inflation Development in Makassar City in 2008-2017

Year	Inflation (%)
2008	11,79
2009	3,24
2010	6,82
2011	2,87
2012	4,57
2013	6,24
2014	8,51
2015	5,18
2016	3,60
2017	3,75

Economic growth is a target to be achieved by the economy in the long term, and as much as possible is consistent with short-term economic growth. Economic growth can explain and, at the same time, measure the achievement of the development of an economy. In actual economic activity, economic growth means the occurrence of fiscal, economic developments that occur in a country, such as an increase in the number and production of industrial goods; infrastructure development; and production growth resulting from economic activities that take place within a certain period, for example, one year (Dumairy, 2018).

Inflation is one of the most important macroeconomic variables. Economic actors, including the government, most fear it because it can negatively affect the structure of production costs and welfare levels. The broad impacts include instability and economic growth. The higher inflation in an area will decrease the level of regional income and lead to income inequality in the community. The experience of several countries that have experienced hyperinflation shows that bad inflation will lead to social and political instability and does not realize economic growth (Sukirno, 2017). Inflation is an economic event that often happens even though we never want it. Milton Friedman said inflation is everywhere and is always a monetary phenomenon that reflects excessive and unstable monetary growth (Dornbusch et al., 2001). Inflation occurs when the general price level rises. This price increase can negatively impact production activities because when production costs rise, it causes investment activities to shift to activities that do not encourage national products, productive investment decreases, and economic activity declines. Investments are more likely to buy land, houses, and buildings. If the production of goods decreases, it will affect economic growth.

To increase economic growth, new investments are needed as capital stock. Investments can be made by the private sector in the form of domestic investment and foreign investment and then government expenditures in the form of capital expenditures, goods and services expenditures, or cooperation between the government and the private sector. Investment here is that people do not use all of their income for consumption, but some are saved, which is needed for investment formation. Furthermore, the formation of this investment has been seen as one of the main factors in economic development. For example, investment in capital equipment or capital formation increases production or economic growth and provides employment opportunities for the community. Thus there is a positive relationship between investment formation and economic growth in a country (Prasetyo & Firdaus, 2009). According to the Neo-Classical theory of economic growth, there are three main factors or components in every nation's economic growth. The three factors are capital accumulation, which includes all forms or types of new investments invested in land, physical equipment, and capital or human resources (Todaro & Smith, 2002).

Research conducted by Ekasari, (2020) shows that the independent variables of PMA and PMDN have a positive value. It means that the higher economic growth in the Indonesian provincial government is caused by the high growth rate in PMA and PMDN. Research conducted by Selly, (2017) the results of the study show that inflation has a positive and significant effect on economic growth in Indonesia.

Based on the description of the relationship between the variables mentioned above, the following research model can be developed:

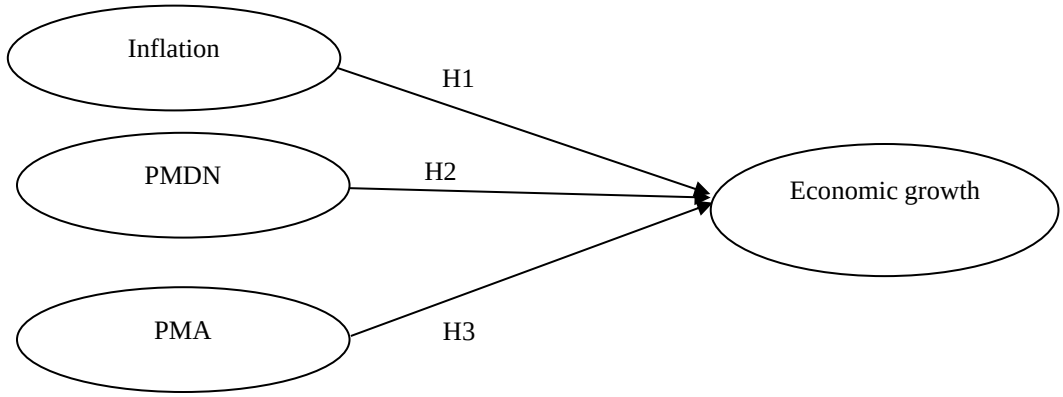

Figure 1. Research Model

H1: Inflation had a positive and significant effect on economic growth in Makassar City in 2008-2017.
H2: PMDN had a positive and significant effect on economic growth in Makassar City in 2008-2017.
H3: PMA had a positive and significant effect on economic growth in Makassar City in 2008-2017.

2 Research Method

The purpose of this study was to test the research hypotheses related to the variables studied. The data testing results are used as a basis for drawing research conclusions, supporting or rejecting hypotheses developed from theoretical studies. This study will identify how inflation, domestic, and foreign investment influenced economic growth in Makassar City in 2008-2017. The type of data used in this study is secondary data. The data collection method used in this study is non-behavioral observation. The feasibility of the data used in this study will be analyzed through several stages of testing such as normality test, multicollinearity test, heteroscedasticity test, autocorrelation test. Furthermore, it will be analyzed using the multiple linear regression analysis methods to answer the three hypotheses proposed using the following formulation.

$$Y = a + \beta 1\ X1 + \beta 2\ X2 + \beta 3\ X3 + e$$

Description:
Y = Economic growth
α = Constant
X1 = Inflation
X2 = Domestic investment
X3 = Foreign investment
β1- β3 = Regression coefficient
e = error

The last data analysis stage in this study is to test the coefficient of determination and the partial test.

3 Result and Discussion

Result

Table 4. Percentage of Inflation and Economic Growth of Makassar City in 2008-2017

Year	PDRB (%)	Inflation (%)
2008	10,83	11,79
2009	9,2	3,24
2010	9,83	6,82
2011	10,43	2,87
2012	9,57	4,57
2013	8,55	6,24
2014	7,39	8,51
2015	7,55	5,18
2016	8,03	3,6
2017	8,23	3,75

Based on table 4, the percentage of inflation and economic growth in Makassar City is in percent. If inflation decreases, it can be seen that it will cause economic growth to increase and vice versa.

One way to see the economic progress is to look at the value of the Gross Regional Domestic Product (GRDP).

Table 5. Makassar City Economic Growth in 2008-2017

No	Year	GRDP Constant Price (Rupiah)	increase /decrease Total (Rupiah)	Growth (%)
1	2008	48.823.764.933	4.647.358.008	10,83
2	2009	53.315.551.307	4.491.786.374	9,20
3	2010	58.556.470.000	5.240.918.693	9,83
4	2011	64.662.103.620	6.105.633.620	10,43
5	2012	70.851.010.000	6.188.906.380	9,57
6	2013	76.907.410.000	6.056.400.000	8,55
7	2014	82.592.000.000	5.684.590.000	7,39
8	2015	88.828.150.000	6.236.150.000	7,55
9	2016	95.960.510.000	7.132.360.000	8,03
10	2017	103.857.090.000	7.896.580.000	8,23
Total		**744.354.059.860**	**55.033.325.067**	**89,61**
Average		**74.435.405.986**	**5.503.332.506**	**8,96**

Source: Makassar City BPS, processed (2008-2017)

In table 5, the average economic growth of Makassar City for the period 2008 to 2017 is 8.96%. It shows that economic growth shows a positive trend, with the highest economic growth in 2008 at 10.83%. The high economic growth in 2008 coincided with the continuous infrastructure development that boosted economic growth, such as the construction of Sultan Hasanuddin airport, toll roads, and world-class trans studio play facilities. Makassar City is one of the regions that have the highest economic growth compared to the national level. In the last four years, 2014 to 2017, Makassar City's economic growth has continued to increase. This growth is supported by the increase in the Gross Regional Domestic Product (GRDP) sector, where GRDP is one of the essential indicators of economic growth.

Based on table 6, it can be seen that during 2008-2017 PMDN investment in Makassar City was realized with a total value of Rp 6,408,968,943,000. Meanwhile, PMA investment was realized at Rp. 4,085,552,487,700. Over the last ten years, it can be seen that the realization and growth of FDI and PMDN investment have fluctuated. However, this does not mean that economic development is slow and vice versa because it is important is not the amount of investment in the value of money or the number of projects, but the efficiency or productivity of these investments. Next, a test is carried out with Descriptive statistics to show the amount of data (N) used in this study and show the maximum value, minimum value, average value (mean), and standard deviation of each variable's object of research. This study aims to examine the effect of the independent variables, namely economic growth, on inflation, PMA (Foreign Investment), and PMDN (Domestic Investment) as the dependent variable for the period 2008-2017.

Table 6. Realization and Growth of Domestic Investment and PMA Makassar City in 2008-2017

Year	Investment PMDN (RP)	Growth (%)	Investment PMA (RP)	Growth (%)
2008	928.375.120.000	-52,69	203.988.316.500	-11,72
2009	195.424.523.000	-375,06	130.455.531.200	-56,37
2010	295.446.530.000	33,85	100.874.340.000	-29,32
2011	872.311.000.000	66,13	156.163.600.000	35,40
2012	464.166.000.000	-87,93	185.673.300.000	15,89
2013	581.586.300.000	20,19	920.031.200.000	79,82
2014	546.869.000.000	-6,35	933.446.000.000	1,44
2015	856.449.300.000	36,15	314.616.000.000	-196,69
2016	906.046.100.000	5,47	766.885.000.000	58,97
2017	762.295.070.000	-18,86	373.419.200.000	-105,37
Total	**6.408.968.943.000**		**4.085.552.487.700**	

Table 7. Descriptive Statistics

	N	Mean	Std. Deviation
Economic growth	10	8.9610	1.19551
Inflation	10	5.6570	2.79547
PMDN	10	-37.9090	126.69459
PMA	10	-20.7948	82.32622
Valid N (listwise)	10		

During the 2008-2017 observation period, the economic growth variable has an average value (mean) of 8.96 with a standard deviation value of 1.19, which indicates that the standard deviation value is lower than the average value (mean). It indicates that the variable data on economic growth during the period 2008-2017 can be good. During the 2008-2017 observation period, the inflation variable has an average value (mean) of 5.65 with a standard deviation value of 2.79, which indicates that the standard deviation value is lower than the average value (mean). It indicates that the inflation variable data during the period 2008-2017 can be good. The PMDN variable during the 2008-2017 observation period has an average value (mean) of -37.90 with a standard deviation value of 126.69, which indicates that the standard deviation value is higher than the average value (mean). The larger the value of the standard deviation, the more spread the observational data is, and the tendency for each data to be different from one another. The PMA variable during the 2008-2017 observation period has an average value (mean) of -20.79 with a standard deviation value of 82.32, which indicates that the standard deviation value is higher than the average value (mean). It indicates that the larger the standard deviation value indicates, the more spread out the observation data, and the tendency for each data to be different from one another.

To detect whether in the regression model the data is normal or not, it can be seen on the normal probability plot graph, which compares the cumulative distribution of normal data. The normal distribution will form a straight diagonal line, and plotting data will be compared with the normal line. If the data distribution is expected, the line describing the actual data will follow the diagonal line. Figure 1 shows that on the standard graph plot, the points spread around the regular line. It shows that the regression model of this study has met the normality assumptions of the research data.

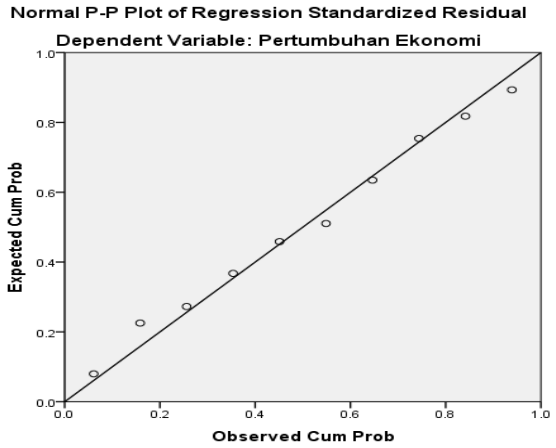

Figure 1. Normal Probability Plot Graph of Economic Growth

The multicollinearity test aims to test whether the regression model found a correlation between independent variables. If this occurs, it is called a multicollinearity problem. A good regression model should not correlate with the independent variables. One of the ways to detect this multi-con problem is to look at the Tolerance and Variance Inflation Factor (VIF) values. The regression model is free from multicollinearity if it has a VIF value of not more than 10 and a tolerance value of not less than 0.1. In the following, the tolerance and VIF values obtained from the results of SPSS data processing are presented.

Table 8. Multicollinearity Test Results

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Inflation	.970	1.031
	PMDN	.961	1.040
	PMA	.985	1.015

Source: SPSS 21 Data Processing Output

Table 8 shows that the tolerance value of the three independent variables is above 0.10, namely for inflation = 0.971; PMDN = 0.961 and PMA = 0.985. For inflation VIF value = 1.030; PMDN = 1.044 and PMA = 1.015, which means the VIF value is less than 10. Thus, it can be concluded that there is no multicollinearity problem in the regression model, so the existing regression model is feasible to use. Furthermore, the heteroscedasticity test was conducted to test whether there was an inequality of variance and residual from one observation to another in the regression model. If the variance from the residual of one observation to another remains, it is called homoscedasticity, and if it is different, it is called heteroscedasticity. The way to detect the presence or absence of heteroscedasticity can be seen by looking at the presence or absence of a certain pattern on the scatterplot graph between the predicted value of the dependent variable and the residual. To find out whether there is heteroscedasticity between independent variables, it can be seen from the plot graph between the predicted value of the dependent variable and the residual. The basis of the analysis of the heteroscedasticity test through the graph plot is that if there is no clear pattern and the points spread above and below the number 0 on the Y-axis randomly, then there is no heteroscedasticity. The results of the heteroscedasticity test based on the scatterplot graph can be seen in Figure 2.

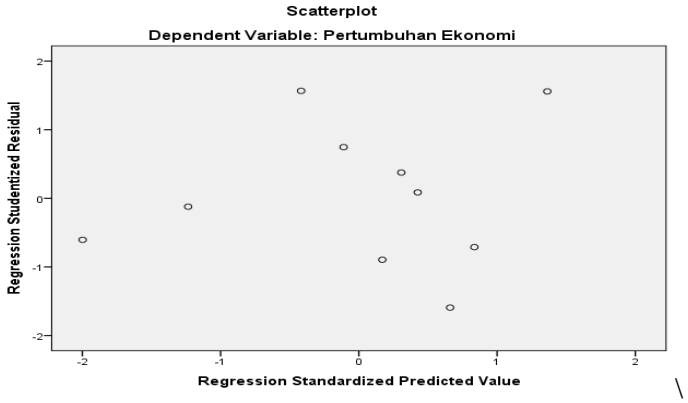

Figure 2. Graph of heteroscedasticity test

Based on Figure 2, it can be seen that the data (dots) are spread evenly above and below zero on the Y-axis and do not form a specific or random pattern. It can be concluded that in this regression test, there is no heteroscedasticity problem. Furthermore, the autocorrelation test tests assumptions in regression where the dependent variable is not correlated with itself. The meaning of correlation with itself is that the value of the dependent variable is not related to the value of the variable itself, either the last variable or the value of the period after. To find out whether there is autocorrelation in a regression model, it is done through testing the Durbin Watson test value (DW Test) with the following conditions: A DW number below -2 means there is a positive autocorrelation, a DW number between -2 to +2 there is no autocorrelation, a DW number above +2 means that there is a negative autocorrelation.

From table 9, it can be seen that the Durbin-Watson value is 0.935. The DW value is between -2 to +2, which means that there is no autocorrelation in the regression model in this study.

Table 9. Autocorrelation Test

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.401[a]	.161	-.259	1.34155	.935

a. Predictors: (Constant), PMA, Inflation, PMDN
b. Dependent Variable: Economic growth

Table 10. Results of Multiple Linear Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	8.446	1.051		8.039	.000
	Inflation	.096	.162	.224	.589	.578
	PMDN	-.002	.004	-.186	-.489	.642
	PMA	.004	.005	.306	.811	.448

Based on table 10, the multiple linear regression equation model can be arranged as follows:

$$Y= 8,466 +0,096X\_1- 0,002X\_2+0,004\ X\_3 +e$$

The interpretation of the multiple regression equation above can be described that the value of the constant is 8.466; this shows the effect of variables other than inflation, PMA, and PMDN variables. b_1 of 0.096 indicates that inflation has a positive influence on the economic growth of Makassar City or in other words, if inflation increases by 1%, its economic growth will increase by 9.6%. b_2 of -0.002 indicates that PMDN has the opposite direction to economic growth or in other words, if Makassar City's PMDN increases by 1%, it reduces Makassar City's economic growth by 0.2%. b_3 of 0.004 indicates that PMA has a positive influence on the economic growth of Makassar City or, in other words, if Makassar City's PMA increases by 1%, its economic growth increases by 0.04%.

The coefficient of determination is used to see the independent variable's ability to explain the dependent variable. The value of the coefficient of determination is between zero and one. If the value of R Square is close to one, the independent variable provides almost all the information needed to predict the variation of the dependent variable. The magnitude of the influence of inflation, PMA, and PMDN variables on economic growth can be seen through the beta number or standardized coefficient from Table 11. Of the three independent variables, it turns out that the PMA variable has the most dominant influence when compared to inflation and PMDN variables in increasing economic growth in Makassar City with a beta value or standardized coefficient that is greater than the other variables of 0.306.

Table 11. R^2 Test Results (Coefficient of Determination)

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.401[a]	.161	-.259	1.34155	.935

a. Predictors: (Constant), PMA, Inflation, PMDN
b. Dependent Variable: Economic growth

Table 11 shows that the magnitude of R Square = 0.161. This figure states that the magnitude of inflation, PMA, and PMDN on economic growth in Makassar City is 16.1%. In comparison, the remaining 83.9% is influenced by other variables not included in this study. The t-test was used to see the significance of the influence of the individual independent variables on the dependent by assuming the other variables constant. This test is done by comparing t count with t table (Sulaiman, 2004:87). It can be done to test the partial effect by comparing the t-count value in the coefficients with the t-table. If t count > table, then H0 is rejected, meaning a partial influence between the independent variables and the dependent variable. If t count < t table, then H0 is accepted, meaning that it has no partial effect between the independent and dependent variables. The results of the t-test can be seen in table 12.

Table 12. T-Test Results (Partial Test)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	8.446	1.051		8.039	.000
	Inflation	.096	.162	.224	.589	.578
	PMDN	-.002	.004	-.186	-.489	.642
	PMA	.004	.005	.306	.811	.448

1. The value of inflation on economic growth is 0.589, while with a significance of = 0.05 and df = nk = 10-4 = 6, it is obtained for one side = 2.446. Value < = 0.589 < 2.446 and a significance value of 0.578 > 0.05, this indicates that inflation has a positive but not significant effect on increasing economic growth in Makassar City.
2. The value of PMDN on economic growth is -0.489 while for the significance of = 0.05 and df = nk = 10-4 = 6, it is obtained for one side = 2.446. Value < = -0.489 < 2.446 and a significance value of 0.642 > 0.05, this indicates that PMDN has a negative and insignificant effect on increasing economic growth in Makassar City.
3. The PMA value on employee performance is 0.811 while for the significance of = 0.05 and df = nk = 10-4 = 6, it is obtained for one side = 2.446. Value < == 0.811 < 2.446 and a significance value of 0.448 > 0.05 this indicates that PMA has a positive but not significant effect on increasing economic growth in Makassar City.

Discussion

The Effect of Inflation on Economic Growth

Inflation is defined as an increase in prices in general in an economy that takes place continuously (Supriyanto, 2020). Keynes's theory explains the relationship between inflation and economic growth. The specialty of this theory is that in the short-run (short-run), the aggregate supply curve (AS) is positive. A positive US curve means that prices are rising and output is also rising. Furthermore, the following relationship is hypothesized to be the long-run relationship between inflation and economic growth in which inflation rises, but economic growth falls. This situation justifies empirical evidence from several studies on the relationship between inflation and economic growth that high inflation causes economic growth to decline. However, in 2009 and 2017, the percentage shows that inflation and economic growth are in the same direction. When inflation decreases, economic growth also decreases and vice versa. However, this does not affect the study results because, in this study, the authors used a 10-year time series data type (2008-2017).

This study indicates that the data shows that inflation has a positive and insignificant effect on economic growth in Makassar City. It shows that inflation has a positive but not significant effect on increasing economic growth in Makassar City. The development of the inflation in Makassar City during the period 2008-2017 fluctuated. The inflation rate reached its highest level in 2008 at 11.79. It is due to the increase in fuel prices, mainly driven by the increase in oil prices. An increase will follow the increase in fuel prices in the community's prices of goods and services. The increase in fuel prices followed by an increase in the prices of goods and services in the community causes the prices of goods and services to be unaffordable for people with fixed incomes. People's purchasing power will decrease. Therefore, inflation will negatively impact society, in this case, the decline in real income received by the community followed by increasing prices of goods and services so that economic growth is difficult to achieve. The results of this study are in line with and strengthen the results of previous research conducted by Kalsum, (2017) and Dewi & Purbadharmaja, (2013) that the inflation variable has no significant effect on economic growth.

The Effect of Domestic Direct Investment on Economic Growth

Development in the economic field is intended to answer various problems and challenges to improve people's welfare. Economic development requires investment support which is one of the primary sources of

economic growth. Investment activities generate investments that will continue to increase the capital stock. Furthermore, increasing the capital stock will increase productivity, production capacity, and quality, which can encourage economic growth and increase employment. Domestic investment is an investment activity to conduct business in the Makassar City area, which is carried out by domestic investment by making domestic capital. Domestic investment is an individual who is an Indonesian citizen, an Indonesian business entity, or a region that invests in the Makassar City area. During 2008-2017 PMDN investment in Makassar City was realized with a total value of Rp 6,408,968,943,000. During the last ten years, the realization and growth of domestic investment have experienced ups and downs.

The results of testing the second hypothesis in this study indicate that domestic investment (PMDN) has a negative and insignificant effect on economic growth in Makassar City. The influence of PMDN on economic growth is inversely proportional or opposite, meaning that if there is an increase in PMDN, it will reduce economic growth in Makassar City and vice versa if there is a decrease in PMDN, it will increase economic growth in Makassar City. It shows that Makassar City has not provided a conducive climate for domestic investors. This unfavorable climate is marked by the low level of public services, lack of legal certainty, and various regional regulations (Perda) that are less "pro-business." Public services that are still low are mainly related to the uncertainty of costs, the length of time for business licensing and bureaucracy, and the existence of various levies, official fees, and illegal levies. Investors are still worried about investing because of macroeconomic instability, policy uncertainty, corruption, bureaucracy and licensing, and labor market regulations.

The Effect of PMA on Economic Growth

The results of testing the third hypothesis in this study indicate that Foreign Investment (PMA) has a positive and insignificant effect on economic growth in Makassar City. It shows that Makassar City has not provided a conducive climate for foreign investors. Investors are more discouraged from investing when inflation is high. Investors are more assured of investing when inflation is stable. Jhingan, (2011) emphasizes the importance of aggregate demand or effective demand as the main factor driving the economy, in which both the state and the private sector play an important role. Harris, (1947) Keynes views the government as an independent agent capable of stimulating the economy through public work. Expansionary government policies can increase effective demand if resources are used without harming consumption or investment. During a recession, an increase in government spending (G) will encourage an increase in consumption (C) and investment (I) and, therefore, can increase GDP (Y). Therefore, it is hoped that the government and the Makassar City government will continue to strive to create a good investment climate to encourage investors to invest in Makassar City. It is contrary to the previous theory that increased investment is in line with economic growth. The results of this study are in line with and strengthen the results of research conducted by Hapsari & Prakoso, (2016) this study proves that FDI cannot increase economic growth.

4 Conclusions

The conclusion from the study results is that inflation has a positive but not significant effect on increasing economic growth in Makassar City for the period 2008-2017. PMDN has a negative and insignificant effect on increasing Makassar City's economic growth from 2008-2017. If there is an increase in PMDN, it will reduce economic growth in Makassar City and vice versa. If there is a decrease in PMDN, it will increase economic growth in Makassar City. PMA has a positive but not significant effect on increasing economic growth in Makassar City from 2008-2017. In encouraging increased investment in Domestic Investment and Foreign Investment, the government should reduce or reconsider regulations that can burden investors to invest in Makassar City. The importance of the government's role in maintaining price stability circulating in the community. For the next researcher to review this research (on the same problem) using a different approach method and a different review concept so that a comparative study can be carried out and support new findings.

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