

## ABSTRACT

### Effects of Private and Government Investment on Economic Growth, Labor Absorption and District/City's Public Welfare Level in East Java Province

Economic growth of a country/region is strongly influenced by the level of consumption, investment, government expense and net exports. The meaning of economic growth differs from the economic development. The economic growth can only be measured by the increase in Gross Domestic Product (GDP) alone. While the economic development is the economic growth accompanied by a change for better direction, such as levels of education, health and public capital income in the long term. Therefore economic development is directed to the public welfare.

The purpose of this study was to determine the effect of private and government investment on economic growth, labor absorption and district/city public welfare in East Java Province. This study was held in 38 districts consisting of 29 districts and 9 cities in East Java Province. Data collected were secondary ones from the Investment Coordinating Board (BKPM) Jakarta, Central Bureau of Statistics (BPS), Bureau of Finance Office of the Governor of East Java in 2002-2006 which were the data of private's investment (domestic/foreign), The economic growth, the labor absorption, and the also the data of Human Development Index (HDI); education, capital income and health. They were analyzed with path analysis model (*Path Analysis*) using SPSS software.

The research obtained the following findings : First, private investment has a positive significant effect on economic growth. Second, private's investment also has a positive significant effect on labor absorption. Third, government investment has a positive significant effect on economic growth. Fourth, government investment has no effect and not a significant effect one on labor absorption. Fifth, economic growth has a positive significant effect on the labor absorption. Sixth, economic growth has no effect and not a significant one to the public welfare. Seventh, the absorption of labor has no effect and not a significant effect one on public welfare.

It can be seen from the indirect and the total effect that private and government investment through economic growth has a positive effect on the absorption of labor of districts in East Java Province. Similarly, the indirect effect of such on the public welfare through economic growth also has a positive influence. In contrast it was a negative one when those investment were through the labor absorption. Judged from the total effect both private and government investment on the labor absorption and public welfare, we can conclude that it has the same positive effect.

**Keywords:** *Private's investment, government investment, economic growth, economic development, labor and social welfare.*