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THE IMPACT OF HOUSEHOLD CONSUMPTION AND INVESTMENT ON ECONOMIC GROWTH

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Abstract

In real economic activity, economic growth is the financial development of goods and services sold by the state, such as increased production of industrial goods, infrastructure development, increased number of schools, increased production of goods. services, and increased production of capital goods. This study aims to determine the effect of household consumption and investment on Indonesia's economic growth. This is a quantitative study and uses Indonesian data. This quantitative research uses the Ordinary Least Square (OLS) method and secondary data in the form of time series data collected by BPS (Central Bureau of Statistics). This study was analyzed using a multiple linear regression analysis model conducted with SPSS version 21 software. The variable of this research is economic growth in terms of GDP at constant prices, based on usage, household consumption and investment in Indonesia. The results showed that (1) household consumption had a significant negative effect on Indonesia's economic growth, (2) investment had a significant positive effect on Indonesia's economic growth, and (3) simultaneously household consumption and investment had a significant positive effect on Indonesia's economic growth.

Keywords: Household Consumption; Investment and Economic Growth of Indonesia.

INTRODUCTION

In real economic activity, economic growth is the financial development of goods and service products implemented by a country, such as increased production of industrial goods, infrastructure development, increased number of schools, increased production of services, and increased production of capital goods (Jolianis et al., 2013).

Stable economic growth is influenced by high public consumption and investment performance (Arifin, 2017). In a two-sector economy, the flow of economic expenditure includes components of total expenditure, namely household consumption and investment (Sudirman & Alhudhori, 2018). Therefore, the rate of economic growth must be compared with the level of national income from year to year, which can be seen from the level of gross domestic product (GDP) (Sasono, 2020).

Consumption and investment in the macro economy are very essential elements for economic growth (Febriyani, 2018). Household consumption provides input to national income. Household consumption has an effect on determining fluctuations in economic activity from time to time (Maharani & Isnowati, 2014). While investment is the main key to achieving economic growth, which is reflected in its ability to increase growth rates and income levels (Octavianingrum, 2015).

The Indonesian economy, seen from the use side, includes household consumption and components of investment expenditure (gross fixed capital formation) (Baeti, 2013). Indonesia's economic growth rate fluctuates from year to year, and growth tends to improve, especially after the government implements economic policies to create a conducive economic climate (Afiftah et al., 2019). Indonesia's economic growth is still supported by household consumption but its growth rate is experiencing turmoil (Utami, 2019). PMTB investment growth rate has increased gradually.

Domestic demand will still be the main force supporting Indonesia's economic growth. The role and scale of household consumption and investment spending has been a point of contention in macroeconomics. Indonesia faces challenges in maintaining optimism for household consumption and accelerating the pace of investment growth amid the economic turmoil that is currently hitting the Indonesian economy.

RESEARCH METHODS

The method used in this research is a quantitative method. Quantitative method is a science related to procedures (methods) of data collection, data analysis, and interpretation of analysis results in order to obtain information for drawing conclusions and decisions (Sunyoto, 2016).

RESULT AND DISCUSSION

Classic assumption test

Normality test

Table 1. Normality Test Results

		Unstandardized Residual
N		11
Normal Parameters[a,b]	Mean	.000000
	Std. deviation	.44547422
Most extreme Differences	Absolute	.209
	Positive	.213
	Negative	-.125
Kolmogorov-smimov Z		.657
Asymp. Sig. (2-talled)		.789

a. Test distribution is normal
b. Calculated from data

Source: data after processing (SPSS 21)

According to the table above, the significance value (2-tailed) is 0.789, which can be interpreted as a significance value (2-tailed) measuring instrument above 0.05, as a result the data is called normally distributed.

Multicollinearity Test

Table 2. Multicollinearity Test Results
Coefficients[a]

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	household consumption	.983	1.017
	Investment	.983	1.017

a. Dependent Variable: Economic growth

Autocorrelation Test

Table 3. Autocorrelation Test Results
Summary models[b]

Model	Durbin-Watson
1	1.028

a. Predictors: (Constant), Investment, Consumption Rt
b. Dependent Variable: Economic Growth

According to the table above the Durbin-Watson (DW) value is 1028, because the Durbin-Watson (DW) value is in an unaffected area, as a result it can be concluded that there is no autocorrelation in the model.

Heteroscedasticity Test

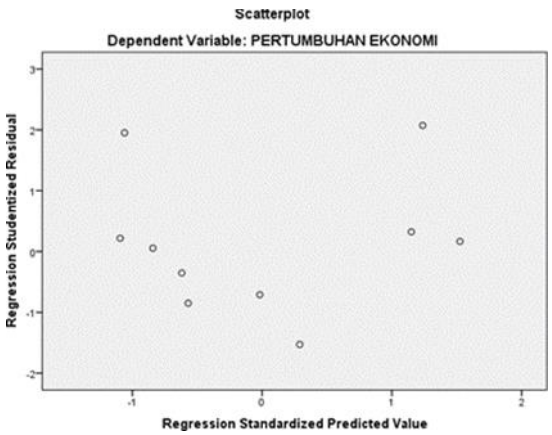

Figure 1. Scatterplot Graph

Based on the scatter plot above, the points below 0 and above 0 on the Y axis are distributed, and these points do not form a clear pattern. So it can be concluded that there are no symptoms of heteroscedasticity in this regression model.

Multiple Linear Test

Table 4. Multiple Linear Test Results

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	T
		B	Std. Error	Beta	
1	(Constant)	6.581	1.922		3.425
	Household Consumption	-.542	.382	-.321	-1.421
	Investment	.257	.074	.781	3.457

a. Dependent Variable: Economic Growth

To determine the value of the multiple linear regression equation as follows: Y' = 6.581 – 0.542 X1 + 0.257 X2 + e. can be described as:

1. The intercept constant of 6.581 indicates that if the household consumption variable (X1) and investment variable (X2) remain the same (unchanged), then economic growth will increase by 6.581 for every increase of 1 unit of the constant.
2. The regression coefficient value of the household consumption variable (X1) on the economic growth variable (Y) is –0.542. This means that if the household consumption variable (X1) increases by 1 unit, it will reduce the economic growth variable (Y) by -0.542, assuming the constant variable does not change.
3. The regression coefficient value of the investment variable (X2) on the economic growth variable (Y) is 0.257. This means that if the investment variable (X2) increases by 1 unit, it will increase the economic growth variable (Y) by 0.257, assuming the constant variable does not change.

Determination Coefficient Test (R-Square/R^2)

Table 5. Test Results for the Coefficient of Determination

Summary models[b]

Model	R	R Square
1	.805[a]	.649

a. Predictors: (Constant), Investment, Household Consumption

b. Dependent Variable: Economic Growth

According to the table above, household consumption and investment together explain 60% of the economic growth variable, while the remaining 40% is another factor that is not present in this research.

t test

Table 6. Test Results t

Coefficients[a]

Model	t	Sig.

1	(Constant)	3.425	.011
	Household Consumption	-1.421	.198
	Investment	3.457	.011

a. Dependent Variable: Economic Growth

1. The Relationship between Household Consumption Variable (X1) and Economic Growth (Y)

   If you pay attention to the results of the coefficient table above using SPSS Version 21 analysis calculations, the tcount value for variable X1 (household consumption) is -1.421, while the ttable value for n = 10 is 2.365. So -1.421 < 2.365, it can be concluded that several household consumption variables (X1) are not correlated with economic growth (Y).
2. Investment Variable Relationship (X2) with Economic Growth (Y)

   If you see that the coefficient table above is calculated using SPSS version 22 analysis, the tcount value for variable X2 (investment) is 3.457, while the ttable value for n = 10 is 2.365. Thus, 3.457 > 2.365, it can be concluded that the investment variable (X2) is partially related to economic growth (Y).

F test

Table 7. F Test Results

ANOVA[a]

Model		F	Sig.
1	Regression Residual Total	6.460	.026[b]

a. Dependent Variable: Economic Growth

b. Predictors: (Constant), Investment, Household Consumption

According to the results of the ANOVA or fcount test, the fcount value is 6.460, greater than the ftable value, n = 10 is 4.46 or 6.460 > 4.46, and a significant level is 0.026, because 0.026 <0.05, it can be said that household consumption household (X1) and investment (X2) can simultaneously explain α = 5% economic growth (Y).

CONCLUSION

This study demonstrates the validity of the hypothesis (hypothesis) that household consumption does not have a partial impact on Indonesia's economic growth. This is shown based on the results of the partial test (t-test) obtained tcount < ttable, namely -1.421 < 2.365. Thus it can be concluded that several household consumption variables (X1) have a significant negative correlation with economic growth (Y), α = 5%.

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