

**THE EFFECT OF INVESTMENT, LABOR FORCE, AND REGIONAL
EXPENDITURE ON THE ECONOMIC GROWTH OF RIAU PROVINCE**

**PENGARUH INVESTASI, TENAGA KERJA, DAN BELANJA DAERAH
TERHADAP PERTUMBUHAN EKONOMI DI PROVINSI RIAU**



Written By:

MUHAMMAD RIYAN DAVALA

20200430001

**ECONOMICS STUDY PROGRAM
FACULTY OF ECONOMICS AND BUSINESS
UNIVERSITAS MUHAMMADIYAH YOGYAKARTA
2024**

**THE EFFECT OF INVESTMENT, LABOR FORCE, AND REGIONAL
EXPENDITURE ON THE ECONOMIC GROWTH OF RIAU PROVINCE**

**PENGARUH INVESTASI, TENAGA KERJA, DAN BELANJA DAERAH
TERHADAP PERTUMBUHAN EKONOMI DI PROVINSI RIAU**

UNDERGRADUATE THESIS

**Proposed in Partial Fulfilment of the Requirements to Graduate and obtain a
Degree as a Bachelor of Economics in the International Program for Islamic
Economics and Finance (IPIEF), Department of Economics, Faculty of
Economics and Business, Universitas Muhammadiyah Yogyakarta**



Written By :

Muhammad Riyan Davala

20200430001

**ECONOMICS STUDY PROGRAM
FACULTY OF ECONOMICS AND BUSINESS
UNIVERSITAS MUHAMMADIYAH YOGYAKARTA**

2024

DECLARATION

DECLARATION

Name : Muhammad Riyan Davala

Student Number : 20200430001

I hereby declare that this undergraduate thesis entitled: "**The Effect of Investment, Labor Force, and Regional Expenditure on the Economic Growth of Riau Province**" does not include any material or work that has already been submitted to a university for a bachelor's degree. Except for those that are correctly cited in the text and indicated in the bibliography, there are no other works or viewpoints that have been written or published by others that I am aware of. I agree to incur any necessary academic penalties if this article is later proven to include any infringements on intellectual property.

Yogyakarta, October 9th, 2024



Muhammad Riyan Davala

DEDICATION

With gratitude, Alhamdulillah, I dedicate this thesis to :

1. Allah SWT, the god of the universe who has been helping me step by step, provides solutions and peace of mind in every problem during the process of writing this thesis until finally being able to solve it smoothly.
2. My beloved parents, Endrizal Munir S.E and apt. Darmayanti, S.Si. who always give love, support, prayers, and sacrifices without stopping. Thank you for all the affection, motivation, and understanding that you have given so far. Thankfully I have both parents like them.
3. Brother and sister, Rizti Ramdhan S.E and April Hardinata. Thank you for your support during my educational journey. Encouragement, love, and attention of brothers and sisters play a very important role in completing this thesis.
4. My Friends Ilham Mansiz Ashofa, Ridho Zurbiannur, Alviro Usman and Elija, thank you for your unwavering support, encouragement, and friendship have been my strength throughout this journey. Thank you for being there every step of the way, through the highs and the lows. I am truly grateful for each of you.
5. My supervisor, Dr. Dyah Titis Kusuma Wardani, S.E., MDEC, and Diah Setyawati Dewanti, SE., M.Sc., Ph.D.. thank you for your guidance, feedback, and support throughout this thesis process, ensuring its successful completion.
6. Lastly, myself, as a reminder of the strength and persistence that has taken me through this journey. It's not an easy path—full of challenges, moments of doubt, and countless sleepless nights—but I've emerged stronger and more resilient because of it. This accomplishment is a testament to my growth, both as a student and as an individual. I am proud of the dedication, discipline, and hard work that have brought me here. May this be a reminder that I can overcome any challenge that life presents, and that my potential is boundless as long as I believe in myself.

ACKNOWLEDGEMENT

Praise be to Allah SWT, for the abundance of His Grace and Gifts and His guidance in the form of smoothness so that the author can complete the thesis with the title "The Effect of Investment, Labor Force, and Regional Expenditure on Economic Growth of Riau" has been completed.

This thesis was prepared to meet one of the requirements for obtaining a bachelor's degree at the Faculty of Economics and Business, University of Muhammadiyah Yogyakarta. The author hopes that this thesis can provide benefits for authors and readers and can provide knowledge and information that is useful for all parties.

In addition to a process that is quite time-consuming and thought-consuming, the completion of this thesis cannot be separated from all efforts, prayers, and support from many parties, therefore the author would like to express his deepest gratitude to :

1. Allah SWT who has provided health, happiness, and ease in completing this thesis.
2. Dr. Ir. Gunawan Budiyanto, M.P, Rector of the University of Muhammadiyah Yogyakarta, for all the educational facilities provided so that it makes it easier to study.
3. Prof. Rizal Yaya, S.E., M.Sc., Ph.D., Ak., CA., CRP., Dean of the Faculty of Economics and Business, University of Muhammadiyah Yogyakarta.
4. Prof. Endah Saptutyningsih, S.E., M.Si., Head of the Economics Study Program, Faculty of Economics and Business, University of Muhammadiyah Yogyakarta.
5. Dr. Dimas Bagus Wiranatakusuma, S.E., M.Ec., Ph.D., CRM., CRP., Director of the International Program for Islamic Economics and

Finance, for his continuous support and assistance during the learning process at IPIEF.

6. Dr. Dyah Titis Kusuma Wardani, S.E., MIDEK, as the thesis supervisor who takes the time and provides extraordinary energy and provides direction, enthusiasm and motivation in each stage of writing this thesis so that the author can complete it well.
7. Parents, siblings, and family who always strive to provide prayers and support to the author.
8. All IPIEF 2020 friends, thank you for the memories of these four years.
9. And all the parties that I cannot mention individually who have provided support, assistance, and encouragement during the process of completing this thesis.

The author realizes that this thesis is still far from perfect. Criticism and suggestions for improvement are highly expected. Hopefully, this thesis will be useful not only for the writer but also for the wider community.

TABLE OF CONTENTS

UNDERGRADUATE THESIS	ii
UNDERGRADUATE THESIS	iii
DECLARATION	iii
MOTTO.....	v
DEDICATION	vi
ABSTRACT	vii
INTISARI.....	viii
ACKNOWLEDGEMENT.....	ix
TABLE OF CONTENTS	xi
LIST OF TABLE	xiii
LIST OF FIGURES	xiv
CHAPTER I INTRODUCTION.....	1
A. Background.....	1
B. Problem Statement	12
C. Research Objectives	13
D. Problem Limitations	13
E. Research Benefits	13
CHAPTER II LITERATURE REVIEW	15
A. Theoretical Basis	15
1. Economic Growth.....	15
2. Investment	18
3. Labor.....	20
4. Regional Expenditure.....	21
B. Previous Research	23
C. Research Framework.....	33
D. Research Hypothesis	33
CHAPTER III RESEARCH METHOD.....	34
A. Research Object of Study	34
B. Types and Data Sources.....	34
C. Data Collection Methods	35

D. Operational Definition of Research Variables	35
1. Dependent Variables	35
2. Independent Variables	35
E. Data Analysis Methods.....	36
F. Instrument Test Data.....	37
1. Multiple Linear Regression Analysis	37
2. Panel Data Regression.....	38
3. Panel Data Regression Model Selection	40
4. Classical Assumption Test	42
5. Hypothesis Test.....	43
CHAPTER IV GENERAL VIEW	45
A. Province Overview	45
1. Overview of Riau Province	45
2. General Overview of Research Variable	51
CHAPTER V RESEARCH RESULT AND DISCUSSION.....	59
A. Data Instrument Testing.....	59
B. Economic Interpretation	71
1. The Effect of Investment on Economic Growth	71
2. The Effect of Labor on Economic Growth.....	73
3. The Effect of Regional expenditure on Economic Growth	74
CHAPTER VI CONCLUSION AND RECOMMENDATION	76
A. Conclusion	76
B. Research Limitations	77
C. Recommendation.....	78
REFERENCES	79
APPENDICES	83

LIST OF TABLE

TABLE 1.1 Riau Province's Economic Growth Rate.....	3
TABLE 1.2 Investment Development in Riau Province.....	5
TABLE 1.3 Development of Labor, and Regional Expenditure in Riau Province.....	7
TABLE 1.4 Potetial Natural Resources in Riau Province	11
TABLE 2.1 Previous Study	23
TABLE 4.1 Riau Province's GRDP Based on Constant Prices	51
TABLE 4.2 Investment Realization in Riau Province.....	53
TABLE 4.3 Level of Number of Workers in Riau Province	56
TABLE 4.4 Realization of Regional Expenditure in Riau Province	57
TABLE 5.1 Common Effect Model	60
TABLE 5.2 Fixed Effect Model.....	60
TABLE 5.3 Random Effect Model.....	61
TABLE 5.4 Chow Test	63
TABLE 5.5 Hausman Test	64
TABLE 5.6 Multiple Linear Regression Model.....	64
TABLE 5.7 Multicollinearity Test.....	67
TABLE 5.8 Heteroscedasticity Test	68
TABLE 5.9 T Test	68
TABLE 5.10 F Test	70
TABLE 5.11 Coefficient of Determination Test.....	71

LIST OF FIGURES

FIGURE 2.1 Solow Growth Model Kurve.....	17
FIGURE 2.2 Research Framework.....	33
FIGURE 4.1 Map of Riau Province.....	45