The Government Expenditure Impact on the Private Investment, Economic Growth, and Poverty in Maluku Province

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Abstract
The conclusions of this study are: (1) The government expenditure directly has a positive and significant effect on private investment in Maluku; (2) The government expenditure directly has a negative effect on the economic growth in Maluku; (3) The private investment directly has a positive effect on economic growth in Maluku; (4) The government spending directly has a negative effect on the poverty in Maluku; (5) The private investment directly has a negative and significant effect on the poverty in Maluku; (6) The economic growth directly has a negative impact on the poverty in Maluku; (7) The government spending indirectly has a positive effect on economic growth through private investment in Maluku.; (8) The government spending indirectly has a negative impact on poverty through the private investment in Maluku.; (9) The government expenditure indirectly has a positive effect on poverty through the economic growth in Maluku Province; (10) The private investment indirectly has a negative effect on poverty through the economic growth in Maluku.

Keyword
government expenditures, private investment, economic growth, poverty

1. Introduction
The poverty problem urges the government to immediately take concrete steps to overcome it, so that in national development, poverty alleviation is the highest priority. Poverty reduction is directed at helping people below the poverty line and preventing new poverty.
The province of Maluku as well as an island province with great marine potential, it is also well known since long ago as a rich spice-producing island. Despite the abundance of natural resources, poverty in Maluku is still the highest in Indonesia (BPS, 2015). The depth and poverty severity index expressed by P1 and P2 shows a downward trend over the period 2013-2015, but in 2016, P1 slightly increased to 3.63 from 3.52 in March of 2015. This means there is an average increase on the gap in the standard of living of the poor compared to the poverty line. Similarly, P2 in 2016 increased to 0.99 from 0.92 in 2015, meaning that the poverty gap between poor people also experienced a slight increase (BPS, 2016).
Increasing the P1 score indicates that the standard of living of the poor declines and if the expenditure goes further away from the minimum standard of living (poverty line), it will be increasingly difficult to raise the status of non-poor, as well as the increase in the value of P2. If the inequality among the poor increases (indicated by the increased P2 value), the more difficult it is to suppress the poverty. The first step that needs to be done in addressing the problem of increasing the depth of poverty and increasing the number of poor people in Maluku Province is identifying factors causing the increase of the poverty.
The government spending is one of the most effective means of government intervention on the economy. Local government expenditure or known as regional expenditure in the Regional Budget, is one of the factors driving regional economic growth. The greater the regional expenditure is expected to increase the regional economic activity (economic expansion).

The success of development in an area, in addition, is determined by the amount of government spending is also influenced by the amount of investment in the region. The readiness of local governments and agencies is not limited to the readiness of natural resources management, but also in the form of policies that are able to encourage the growth of existing businesses in the region so as to attract investment to the region. The success of local governments to create and implement policies that encourage business activity in their region will bring many benefits to local governments and communities in the region. For local governments, such activities are a source of income derived from taxes. As for the general public, the success of attracting these investments will absorb employment and of course can improve people's lives so as to reduce poverty in Maluku Province.

The presence of private investment is very important in supporting regional development and its decline can have serious consequences. This indicates that if the investment decreases, then production activities will also come down. If the production activity falls, the output itself declines, and if this decline happens continuously then in turn, the overall rate of economic growth will decline.

Economic growth relates to economic actors namely the government plays a role in making fiscal policy while the private sector plays a role in opening employment opportunities and society as a human resource which is input production. Thus, an increase in economic growth, can lead to a decrease in poverty due to rising incomes.

Based on this phenomenon, one of the important sources for the achievement of quality development is preceded by government spending as an instrument for increasing private investment so that it can have an impact on increasing economic growth and poverty reduction in Maluku Province can be achieved. The relevance of the matters described is interesting enough to analyze the effect of government spending on private investment, economic growth and poverty in Maluku Province.

The study was conducted with the following objectives: First, to analyze the effect of government spending on private investment in Maluku Province; Second, to analyze the effect of government spending and private investment on economic growth in Maluku Province; Third, to analyze the effect of government spending and private investment on poverty in Maluku Province; Fourth, to analyze the effect of economic growth on poverty in Maluku Province; Fifth, to analyze the indirect effect of government spending on economic growth through private investment in Maluku Province; Sixth, to analyze the indirect effect of government spending and private investment on poverty through economic growth in Maluku Province.

2. Literature Review

2.1 Theory of Government Spending

a. Development model on the development of government expenditure

The model developed by Rostow and Musgrave links the development of government spending to the stages in the process of economic development. In the early stage of the economic development percentage of government investment of the total large investment, because at this stage the government must provide health education infrastructure and so on (Mangkoesoebroto.2001: 170). Similarly, the opinion of Due (1984) which states that the government can affect the level of real GDP by changing the inventory of various factors that can be used in production through government spending programs such as education. Musgrave argues that in a development process, private investment in percentage of GNP is greater and government investment on GNP will be smaller at a further level.

b. Wagner's law regarding the development of government activities

Wagner's Law: "In an economy where per capita income increases, relative government expenditures will increase." If Wagner is referring to the relative development of government as Wagner's Musgrave theory, with the growing economy between industry and industry, industrial relations with society and so on more complex.

According to Henrekson (1993), Wagner sees three main reasons for increased government involvement. First, industrialization and modernization will encourage the substitution of private activities into government activities. This condition reflects the need for public protection for an increasingly complex society in line with industrialization and modernization. Second, real income growth leads to an increase in income elasticity of public goods such as education and health services, where the provision of public goods by the government is seen as more efficient than the private sector. Third, the development and change of technology requires the role of government to improve economic efficiency.

2.2 Private Investment

Private Investation is an investment made by the private sector, with the objective of obtaining profit in the form of profit. This type of investment is also called investment with profit motive. Investment with these characteristics can be done by private, corporate. IMF (1982) in Anwar (2006) defines FDI as an investment made to obtain an everlasting interest in a company, the purpose of an investor is to have an effective voice in the management of the company. The following is according to the Organization for Economic Cooperation and Development (OECD) (1994), which defines FDI as a capital investment by non-locals aimed at building and maintaining ongoing relationships with a view to applying effective influence in its management.

a. Classical growth theory: Adam Smith

According to A. Smith, in economic development, capital plays an important role. The accumulation of capital will determine the rapid or slow economic growth that occurs in a country. The capital is obtained from the savings made by the community. The accumulation of capital generated from savings, and then the economic actors can invest it into the real sector, in an effort to increase its acceptance (Kuncoro, 1997). Savings, capital accumulation, and investment are links that are closely related to each other. If investment is low, then saving ability will decrease, so capital accumulation will decrease also. If it happens when the rate of investment will also be low and will reduce economic growth.

b. Neo Keynes growth theory: R.F. Harrod and E.D. Domar

According to Harrod-Domar's theory, capital formation is an important factor determining economic growth, and capital formation can be obtained through the process of accumulated savings. Capital formation is not only seen as an expenditure that will increase the ability of an economy to produce goods and services, but will also increase people's effective demand.

According to Harrod-Domar (Suryana, 2000), the economy must invest new (additional capital stock) if it wants to grow. In this case, the Harrod-Domar model assumes there is a direct relationship between investment and output. The relationship between capital stock and output is called Incremental Capital Output Ratio (ICOR) (Widodo, 1990). This concept can be defined as a relationship between the investments invested and the annual income generated from the investment. The importance of ICOR will be apparent when we examine the consistency between economic growth targets with additional capital that may be collected from ongoing investments. Thus, ICOR can be used to determine the rate of growth of an economy (Widodo, 2006).

c. Neoclassical growth theory: Robert M. Solow and T.W. Swan

The Solow-Swan model uses elements of population growth, capital accumulation, technological advances, and the magnitude of output interacting. The main difference with the Harrod-Domar model is the inclusion of technological advances in the model (Tarigan, 2007: 52). This technology is seen from the improvement of skill or technical progress so that per capita productivity increases. This model predicts that all market-based economies will eventually achieve the same constant growth rate if they have the same level of technological progress and population growth.

2.3 Definition of Poverty

Poverty originally the cause is divided into 2 kinds. First is the cultural poverty, namely poverty caused by the existence of customary or cultural factors of a certain region that bind a person or a group of certain communities so that makes him stick with poverty. Such poverty can be eliminated or can be reduced by ignoring the factors that prevent it from making a change toward a better level of life. Second is structural poverty, that is poverty that occurs as a result of the powerlessness of a person or a group of people against unfair social systems or structures, so they are in a very weak bargaining position and have no access to develop and free themselves from the poverty trap or in other words "a person or a group of people becomes poor because they are poor".

a. Relative Poverty

Relative poverty is a poor condition because of the influence of development policies that have not been able to reach all levels of society, causing inequality in the distribution of income. Minimum standards are based on the living conditions of a country at a particular time and attention focuses on the "poorest" population, such as 20 percent or 40 percent of the lowest layers of total population that have been ranked by income/expenditure. This group is a relatively poor population. Thus, the poverty measure is relatively highly dependent on the distribution of income / expenditure of the population. In practice, rich countries have a relatively higher poverty line than a poor country as Ravallion (1998) has reported.

b. Absolute Poverty

Absolute or absolute poverty is related to the minimum living standard of a society embodied in the form of a poverty line. The establishment of a poverty line depends on the definition of minimum living standards. So that absolute poverty can be interpreted by looking at how far the difference between the levels of income a person with the level of income needed to meet basic needs. Poverty is absolutely determined based on the inability to meet the minimum basic needs such as food, clothing, health, housing and education needed to live and work. The minimum requirement is translated as a financial measure in the form of money. The minimum needs of these basic needs are known as poverty lines. People whose income below the poverty line is classified as poor.

c. Other Poverty Terminology
Other terminology that has also been proposed as a discourse is structural poverty and cultural poverty. Soetandyo Wignjosoebroto in "Structural Poverty: Issues and Policies" summarized by Suyanto (1995: 59) defines "Structural poverty is poverty that is alleged or diverted due to structural conditions, or unfavorable life arrangements". It is said to be unfortunate because the order not only publishes but (further than that) also perpetuates poverty in society. Under such structural conditions poverty is not caused by natural causes or by private causes, but by reason of an unjust social order.
World Bank poverty (2000) is defined as "poverty is pronounced deprivation in well-being" which means that poverty is the loss of well-being. The core problem in this poverty is the limits of welfare itself. In Law no. 13 of 2011 on the handling of the poor, mentioned about the term "poor people". The law states that the poor are people who have no source of livelihood and/or have a source of livelihood, but do not have the ability to meet the basic needs that are appropriate for the life of himself and/or his family. These basic needs include food, clothing, housing, health, education, employment, and/or social services.
The United Nations Development Program (UNDP) defines poverty as an inability to expand choices in life, including the assessment of "lack of participation in public decision making" as an indicator of poverty. Bappenas (2004) defines poverty as a condition in which a person or group of people, men and women, are unable to fulfill their basic rights to maintain and develop a dignified life. These basic rights include the fulfillment of food, health, education, employment, housing, clean water, land, natural resources and the environment, security from the treatment or threat of violence and the right to participate in socio-political activities, both for men and women.

3. Methodology

3.1 Research design
This research is designed to know the direct and indirect influence of government expenditure on private investment, economic growth and poverty in Maluku Province using path analysis method and analysis tool in the form of SPSS version 22 program.

3.2 Types and Data Sources
The data used in this research is secondary data in the form of time series data from 2005 until 2016 with research area covering Maluku Province.
Operational Definition of Variables
a) Government expenditure is an obligation to be paid by the Kabupaten/Kota government in Maluku Province, through APBD to finance government activities within a budget year expressed in rupiah.
b) Private investment is the formation of gross fixed capital by the private sector used for the procurement, manufacture and purchase of new capital goods originating from within the country expressed in rupiah units.
c) Economic growth is the development of activities in the economy that cause goods and services produced in the community increased that can be measured from the development of GDP a year with the previous year expressed in units of percent.
d) Poverty is a population that does not have the ability to meet basic needs for decent living, both basic food needs and basic non-food needs in Maluku Province. The unit of the variable is the number of poor people in thousands of lives.

3.3 Data Analysis Technique
Analysis technique used in this research is path analysis. The purpose of path analysis is to explain the direct and indirect consequences of a set of variables, as causal variables, to other variables that are the result variable (Muhidin, 2007). Path analysis is an important model of analysis tool for testing a causal theory. Through this analysis the researcher can determine whether there is correlation between variables with each other. The steps on path analysis are as follows (Wibowo, 2009):
a) In path analysis is to design a model based on concepts and theories. The model can also be expressed in terms of equations, thus forming a system of equations. Systematic path analysis follows the pattern of structural model, so the first step to work on or application of path analysis model is by formulating structural equation and path diagram based on the study of certain theory (Riduwan, 2007).
b) Examination of underlying assumptions, namely the relationship between variables is linear and additive. The model used is recursive, i.e. one-way causal flow system. Recursive model when fulfilling the assumptions, i.e. between exogenous variables mutually free.

c) Estimation of parameters or calculation of path coefficients. Basically the path coefficient is a standardized path coefficient, used to explain the extent of the influence of independent variables (exogenous) on other variables that are applied as endogenous variables.
d) Examination of model validity, by looking at assumptions for path analysis must be fulfilled. Test of pathway coefficient validity (Standardized Coefficient - β), to see significance level of t-test with alpha of 5% (0,05) (Nachrowi and Uman, 2006). It is said to be significant, if the path coefficient value (ρ-value) is smaller than alpha value (α).
e) Interpreting the model, how to interpret the model is to interpret the results or values of parameters that exist in the analysis path. From the coefficient value can be seen which variable has dominant influence, which is not.

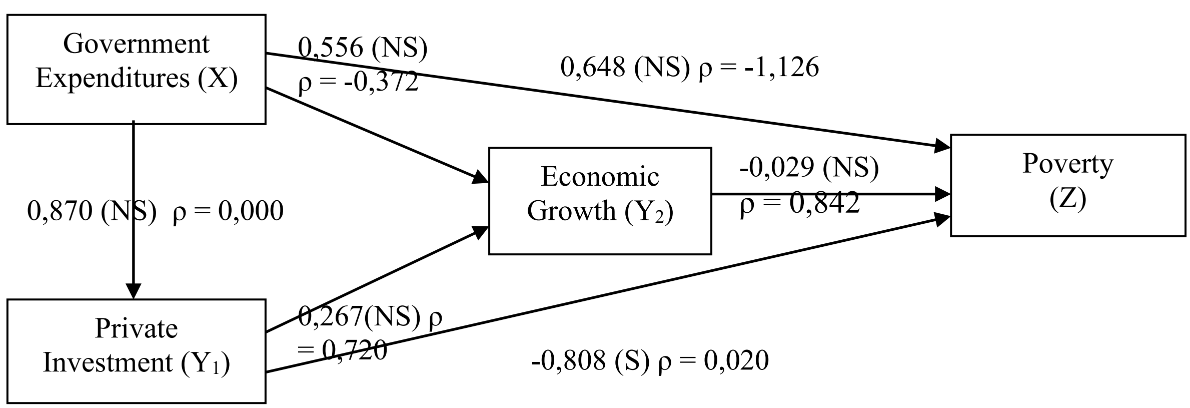
4. Results and Analysis

Table 1. **Significance Test Results On Every Path**

Impact of Variables	Path Coefficient (β)	*ρ - Value*	Test Results
Government Expenditures ➔ Private Investment	0,870	0,000	Significant
Government Expenditures ➔ Economic growth	-0,372	0,556	Not significant
Private Investment ➔ Economic growth	0,720	0,267	Not significant
Government Expenditures ➔ Poverty	-0,126	0,648	Not significant
Private Investment ➔ Poverty	-0,808	0,020	Significant
Economic growth ➔ Poverty	-0,029	0,842	Not significant

Source: Path Analysis Results

In order to obtain a comprehensive picture of the value, significance and value of the coefficient of other variables of each path in each model (structure), it is illustrated in the path analysis chart, as shown in the following figure.



S is Significant
NS is Not Significant

Figure 1. **Empirical Causal Relation among Variable Research**

Having obtained the pathway coefficient quantities, the next most important step is to interpret all of these findings.

Tabel 2. Coefficient of Direct Effect Line and Indirect Effect

Variables' impact	Causal Impact			
	Direct		Indirect through: Private Investment	Indirect through: Economic growth
Government Expenditures ➔ Private Investment	0,870	$\rho_{y1x}.\rho_{y1x}$ $0{,}870^2 = 75{,}69\%$	-	-
Government Expenditures ➔ Economic growth	-0,372	$\rho_{y2x}.\rho_{y2x}$ $-0{,}372^2 = 13{,}83\%$	0,870 x 0,720 = 0,626 (62,6%)	-
Private Investment ➔ Economic growth	0,720	$\rho_{y2y1}.\rho_{y2y1}$ $0{,}720^2 = 51{,}84\%$	-	-
Government Expenditures ➔ Poverty	-0,126	$\rho_{zx}.\rho_{zx}$ $-0{,}126^2 = 1{,}59\%$	0,870 x -0,808 = -0,703 (70,3%)	-0,372 x -0,029 = 0,010 (1%)
Private Investment ➔ Poverty	-0,808	$\rho_{zy1}.\rho_{zy1}$ $-0{,}808^2 = 65{,}28\%$	-	0,720 x -0,029 = -0,021 (2,1%)
Economic growth ➔ Poverty	-0,029	$\rho_{zy2}.\rho_{zy2}$ $-0{,}029^2 = 0{,}08\%$	-	-

Source: Path Analysis Results

4.1 The effect of government spending on private investment in Maluku Province

The estimates of the direct effect of government spending on private investment are positive and significant. Positive influence shows a direct relationship between government spending and private investment. That is, an increase in government spending will have an impact on increased private investment in Maluku Province, and vice versa.

One of the components of government expenditure in the form of capital expenditure devoted to infrastructure development in Maluku province supported by its growing facilitation is one of the important factors in attracting investors. Intuitively, the company will not be able to operate without the expansion of transportation systems such as roads and other infrastructure. The importance of physical hard infrastructure is a determinant of the smoothness and acceleration of development. Without the availability of adequate infrastructure, it is certain that an economic activity or development will generally run haltingly.

In addition, infrastructure has high positive externalities. That is, the procurement of an infrastructure will greatly affect positively (support) the development of various other economic sectors. Conversely, the limitations of infrastructure obviously resulted in the utilization of potential and economic resources to be not optimal, even difficult to develop to the expected level. Intra-activeness of infrastructure in turn will lead to lagging prosperity and progress in various fields. Especially with regional autonomy, allowing provinces and districts to play a more important role in infrastructure development.

These findings reinforce a number of conceptualities that explain the relationship between government spending (capital spending expenditure) and private investment. According to Aviliani (2009), infrastructure is one of the priority sectors of investment in Indonesia. Infrastructure becomes an important part of the economy considering its function as a supporter in activities including to encourage private investment activities. Poor infrastructure conditions will be an important constraint for investors because it creates extra cost. For example infrastructure such as bad roads will cause the flow of goods and services disrupted, thereby driving the increase of cost of transportation. The implication is that cost of distribution is increasingly expensive and then delegated to the price of consumer goods.

Furthermore, in relation to the findings of this study, theoretically Jhingan (2004) states in developing country economies, to spur capital-formation rate is the role of fiscal policy. According to him in order to increase the investment rate, the government must first apply the policy of planned investment in the public sector. This will have an impact on the increased volume of investment in the private sector. In addition, fiscal policy should encourage investment flows to the pathways that society wants. It deals with the optimum pattern of investment and is the responsibility of the government to encourage investment in social and economic overhead. Social overhead investments such as in transportation and transportation, while for economic overheads such as education and health. Both categories of this investment generate an external economy, expand the market and reduce production costs.

The results of this study strengthen the Keynesian and New Keynesian economists' theory that capital formation requires government action in encouraging people to increase investment capacity. To do this, the government should improve the investment opportunities by: first, expanding the market of various products to increase the profit potential, and secondly, facilitating the production process by building facilities and infrastructure (power grid, roads etc.) and supporting programs production processes such as subsidies, tariffs, loans, training programs, and managerial technical assistance.

The results of this study reinforce previous studies conducted by Felix K. Rioja (1999), which resulted in the conclusion that if a 1% increase in GDP in public investment returns investment profits will increase by 1.44%. Similarly, the results of research from Miguel D. Ramires in 1980 to 1995 and Miguel D. Ramires and Nader Nazmi from 1983 to 1993 in nine major Latin American countries (Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Peru and Uruguay) indicating that public investment has a positive impact on private capital formation. Then research by Stefan Mittnik and Thorsten Neumann (2001) also yields the same conclusion, that public investment is likely to have a positive impact or affect private investment in Canada, the UK and Germany. Similarly, the research of Blejer Khan (1984) in Soekro (2008) which observed 24 developing countries from 1971 to 1979 showed that with an increase in public infrastructure of 1 US Dollar will encourage real private investment of 0.25 US Dollar.

4.2 The influence of government spending on economic growth in Maluku Province

The estimation result of direct influence of government expenditure on economic growth is negatively affected. Negative influences indicate a non-directional relationship between government spending and economic growth. That is, the increase in government spending will have an impact on the decline of economic growth in Maluku Province, and vice versa. The facts of this statistical test results; supported by empirical fact that one component of GRDP according to expenditure approach that is consumed in the province of Maluku is very large contribution to economic growth so that government spending does not affect the economic growth. Table 3 shows that the largest contributor of GDP in Maluku province is from Household Consumption Expenditure (PKRT) of 66.29% in 2012 and continues to increase up to 66.93% in 2016. This gives the consequence that the economy of Maluku province is strongly influenced by the consumption of houses stairs.

Table 3. Distribution Percentage of GDP of Maluku Province According to Expenditure at Constant 2010 Prices

Expenditure Components	2012	2013	2014	2015	2016
1. Household Consumption Expenditure	66,29	66,04	65,51	66,84	66,93
2. Consumption Expenditure LNPRT	2,37	2,35	2,32	2,31	2,37
3. Government Consumption Expenditure	40,64	41,04	39,80	40,97	41,62
4. Gross Fixed Capital Formation	29,91	31,53	31,16	30,65	31,10
5. Inventory changes	1,27	1,03	1,01	0,50	0,49
6. Exports	13,59	12,18	9,34	8,90	8,23
7. Imports	14,42	11,05	10,26	10,21	9,58
8. Net Exports inter regional	-39,64	-43,12	-38,88	-39,96	-41,16

Source: Provinsi Maluku Dalam Angka 2017

Reflecting on the condition, it is not to blame the dominance of the consumption sector in the structure of a region's economic growth. However, this dependence will cause the structure of the economy to tend to be vulnerable to the shock (shock) of the domestic economy, moreover from the international economy. On the other hand, the consumption sector cannot create added value for the economy so it cannot solve the problem of unemployment.

In support of economic growth, new investments are needed as stocks. However, in real terms, the rate of economic growth that occurs in every savings and investment depends on the level of investment productivity (Harrod Domar in Jawas, 2008). Increased inefficiency in capital use can result in an increase in the prices of goods. The impact in the long term, according to Arsyad (2010) economic development will be hampered because the inefficiency of capital resources allocation is one important factor affecting the economic resilience of a country or region. One of the important uses of efficient capital is to reduce the savings required to support sustainable growth.

Previous research supporting the results of this study is the research produced by Eduardo R. Oreggio and Andres R. Pose (2004), public investment has no significant effect on economic growth. This is because public investment in Mexico tends to concentrate on relatively developed areas and efficiency has not been the main focus of public investment allocation.

4.3 The influence of private investment on economic growth in Maluku Province

The estimates of the direct effects of private investment on economic growth are positive and significant. Positive influence shows a direct relationship between private investment and economic growth. This means that an increase in private investment will have an impact on increasing economic growth in Maluku Province, and vice versa.

The linkage between physical investment and economic growth has been demonstrated by the experience of indutrialized countries. For example, a number of studies have revealed that about half of aggregate income growth in nine developed countries since 1975 is more due to the expansion of real physical capital inputs in the country. Many studies have suggested that the low level of investment in the US in the 1970s (by 18% of GNP, the lowest among industrialized nations at the time) was a major cause of the low rate of per capita income growth of the country since the 1970s, compared with Japan and Western European countries (Arsyad, 2010). In addition, empirical evidence from studies conducted in Developing Nations (NSB) shows that the impact of capital formation on economic growth is also quite good, especially in the early stages of economic development.
This condition is in line with the empirical studies of Pack and Page (1994) in (Tambunan, 2003) on economic growth and its sources, which have stated that there are two main sources of growth, ie growth originating from, in particular, increased capital or investment-driven growth) and growth driven by productivity-driven growth or productivity. The results of this study support previous research conducted by Hasdi Aimon (2007), Rina Oktaviani (2008) and Ni Putu Wiwin Setyari *et al*. (2008), that private investment has a positive and significant impact on economic growth in Indonesia.

4.4 The effect of government spending on poverty in Maluku Province

The estimates of the direct effect of government spending on poverty are negatively affected. Negative influence indicates a non-directional relationship between government spending and poverty. That is, an increase in government spending will have an impact on poverty reduction in Maluku Province, and vice versa.
The linkage between government investment in improving the investment climate and improving the welfare of the community has been undertaken by the World Bank (The World Bank 2004). The World Bank's development report shows that improved investment climate in China and India has lifted 400 million people out of poverty. Increases in income are also offset by improvements in health outcomes. In China, life expectancy rose by four years from 66.8 years to 70.7 years during 1980 to 2002, and infant mortality rates fell from 49 to 32 per 1,000 live births. In India, life expectancy rates rose from 54 years to 63 years, infant mortality rates fell by 40%, and the number of malnutrition cases was also considerably reduced. The results of these empirical studies explain that improving the investment climate brings a greater impact than just creating jobs and improving living standards. The improvements will also encourage people to invest more in their own education and skills in order to take advantage of better jobs in the future. Thus, improving the investment climate (infrastructure) complements efforts to improve human resources.

4.5 The influence of private investment on poverty in Maluku Province

The estimates of the direct effects of private investment on poverty are negatively affected. Negative influence indicates a unidirectional relationship between private investment and poverty. This means that increased private investment will have an impact on poverty reduction in Maluku province, and vice versa.
The large number of workers absorbed through private domestic investment and foreign investment will be able to reduce the poverty rate in Maluku province. This is because one of the main supporting factors for poverty reduction is the availability of employment as a source of income. Therefore, the higher the economic activity that begins with the investment activity in a region, it can reduce the level of poverty in the area.
This fact supports the opinion of Arsyad (2005) that, every effort of regional economic development has the main objective to increase the number and type of employment opportunities for local communities. This opinion also supports the opinion of Tambunan (2010) that, the success of decentralization will greatly depend on the development and growth of the business world. The private sector with market mechanisms is the government's best partner in building the local economy in an effort to increase output and employment. Thus, it is necessary to develop the private sector in Maluku Province. According to Tambunan (2010), the most appropriate role of government in this regard is: firstly, actively seek new sources of economic growth by creating a conducive business environment (investment climate) for entrepreneur initiatives to confront and invest in the local economy. The second strategic role is to maintain the security and enforcement of the law. With security, legal certainty and conducive business climate supported by adequate facilities and infrastructure, it is expected that the private sector can dynamically expand business activities.

4.6 The influence of economic growth on poverty in Maluku Province

The estimation of the direct effect of economic growth on poverty is negatively affected. Negative influence indicates an uneven relationship between economic growth and poverty. That is, an increase in economic growth will have an impact on poverty reduction in Maluku Province, and vice versa.

Changes in economic structure with economic growth based on high employment absorption with the achievement of poverty reduction and the creation of labor is a more appropriate model of regional economic growth. Therefore, the structure of economic growth must be balanced between the tradable sector (goods sector closely related to production and trade such as Agriculture, Mining, Quarrying and Manufacturing) and non-tradable sectors (services sector that cannot be traded internationally freely such as Electricity, Gas and Water sector, Construction, General Business, Hotel and Restaurant, Transportation and Communication, Finance, and General Services).
The increase of tradable sector is more favorable for Maluku province to overcome the problem of poverty because tradable sector or goods sector that can absorb so much labor and its benefits can be enjoyed by many parties.
Economic growth that is too dependent on the non-tradable sectors according to Basri (2009) is very risky, because in general the service sector is capital-intensive and technology-intensive, collected only in the centers of economic progress usually in the form of big cities and very slightly absorbing labor. Only a handful of people can play a role in this sector, those who have great access to human and capital resources. While the rest of the population will only be consumers.
Cooper (2005) emphasizes that efforts to improve economic performance are largely determined by the successful implementation of structural transformation. The new structural transformation can be said to succeed if the increase in the role of the manufacturing industry (and the increase in exports) is accompanied by a decrease in labor in the agricultural sector (since it is significantly absorbed by the manufacturing sector). The less developed countries according to Cooper are caused by their failure to carry out the transformation.
According to Wie (1988) in Arsyad (2010), there are some government policies that must be in line with the process of redistribution during the process of structural transition take place, namely: first, the reallocation of investment funds more profitable "marginal". Second, the industrialization is labor-intensive and the location of the industry does not encourage urbanization. Third, The existence of redistribution of productive assets, for example through land-reform. Fourthly, the existence of income redistribution, for example through fiscal device. Fifth, Improving public access to educational facilities, since inequalities in education often have an impact on gaps in other areas.
In addition, given the regional development will only run and work well if the development policy is taken in accordance with local conditions, namely based on problems, needs and economic potential of the region. One effort that can be done to overcome the level of unbalanced economic growth is through the development of industrialization based on agriculture/fisheries. The reasons are: first, food security is a requirement for economic development especially industrialization can be implemented. Without solid food security, social, economic and political conditions will not be stable, so development will not be able to be implemented. Second, the majority of the populations of Maluku province live along the coastline in the countryside, while the village economy is based on the agricultural/fishery sector. Therefore, village-based development in the agriculture/fisheries sector is the best way to encourage village agriculture/fisheries. Third, the labor force of the population is largely located in rural areas, where most employment opportunities come from the agricultural/fishery sector. Fourth, in addition to the final foodstuff, most agricultural/fishery practices are intermediate products that become industrial raw materials so there is a linkage of primary and secondary sector products. Fifth, the increase in income of rural communities through the industrialization of agriculture/fisheries, in addition to creating a larger surplus or re-investment in the region, is also able to increase local revenue through taxes.

4.7 The influence of government spending on economic growth through private investment in Maluku Province

The results show that the indirect effect of government spending on economic growth through private investment is positive. Thus, it can be argued that private investment mediates the effect of government spending on economic growth, meaning private investment mediation is necessary to promote economic growth in Maluku Province.
In Indonesia, Fathonah (2009) states that the needs of real sector investment cannot be fulfilled from public savings. Therefore, it takes foreign investment to meet the real investment needs. The need for foreign investment is absolutely necessary given the limitations of the banking sector and capital markets in Indonesia that has not been fully developed. Especially for the province of Maluku, private investment is needed for development because regional savings are not large.
Conceptually, the theory of Sollow growth states that in addition to the availability of savings for investment is also required improvement in technology so that growth can increase significantly. Conditions that must be met in order to increase production technology in Indonesia according to Wie (2006) in (Soekro), of which is through the PMA. This opinion is supported by Atje *et al*. (2005) stressing that one of the most effective ways to improve production technology is to invite PMA. Moreover, with the implementation of regional autonomy, competition in attracting FDI (Foreign Direct Investment) not only occurs between countries but also between districts and cities both in one

province and across provinces. Therefore, Maluku province is very interested to attract more domestic investment and foreign investment.

4.8 The influence of government spending and private investment on poverty through economic growth in Maluku Province

The results show that the indirect effect of government spending on poverty through economic growth is positive. This means that increased government spending can also increase poverty through economic growth. Thus it can be argued that economic growth mediates the influence of government spending on poverty in Maluku Province. While the results of research indirect influence of private investment on poverty through economic growth is negative. This means an increase in private investment can reduce poverty through economic growth. Thus it can be said that economic growth mediates the influence of private investment on poverty reduction in Maluku Province.

4.9 Dominant and Non-Dominant Variables Affect Economic Growth

Direct private investment is very big influence (51.84%) to increase economic growth of Maluku Province compared with contribution of government expenditure which only equal to 13,83%. Similarly, if we can see the indirect effect of government expenditure on economic growth through private investment, its contribution is 62.6%. Thus, if the Maluku provincial government wants to increase economic growth then private investment should be more improved compared with government spending.

4.10 Dominant and Non-Dominant Variables Affect Poverty

Private investment variable is the most dominant direct influence on the rise and fall of poverty level in Maluku province. The relationship between the two variables has a coefficient value of the path of 65.28%. These results imply that the policy that has the greatest effect on the decline in the number of poor people is through increased private investment. Then, the non-dominant variable affecting poverty is the variable of economic growth, which contributes only 0.08% to poverty. Thus, it can be concluded that economic growth has not contributed significantly to the decline of poverty in Maluku province. The indirect effect of government spending on poverty is largely influenced by private investment compared to economic growth.

5. Conclusion

Direct government spending has a positive and significant impact on private investment in Maluku Province. This means that the size of government spending can increase private investment in Maluku Province.

a) Direct government spending negatively affects economic growth in Maluku Province. The direction of a negative relationship indicates that the greater the government's expenditure the lower the economic growth rate. This means that government spending in Maluku province has not been able to contribute to economic growth.
b) Private investment directly affects the economic growth in Maluku Province. This means that the high private investment in Maluku province, then economic growth can be directly increased.
c) Direct government spending negatively affects poverty in Maluku Province. This shows that large government expenditures will be able to reduce poverty in Maluku Province.
d) Private investment directly affects negatively and significantly to poverty in Maluku Province. This shows that when private investment is increased, poverty in Maluku Province will decrease.
e) Direct economic growth negatively affects poverty in Maluku Province. This indicates that the high economic growth will be able to reduce poverty in Maluku Province.
f) Government spending indirectly positively affects economic growth through private investment in Maluku Province. This means that the size of government spending in Maluku Province can increase economic growth through private investment.
g) Indirect government spending negatively affects poverty through private investment in Maluku Province. This means that increased government spending can reduce poverty in Maluku Province through private investment.
h) Government spending indirectly affects positively to poverty through economic growth in Maluku Province. This means that increased government spending can increase poverty through economic growth.
i) Private investment indirectly negatively affects poverty through economic growth in Maluku Province. This means that large private investment will be able to reduce poverty in Maluku Province through economic growth.

Some recommendations that can be given are:

a) The impact of large private investment on economic growth and on poverty reduction in Maluku province, then the municipal government in Maluku province can no longer rely on economic growth on consumption. One of the strategic factors is how to strengthen the private sector and investment can be improved in each region. Therefore, in addition to stable macroeconomic conditions and security guarantees, it is necessary to improve a conducive investment climate that includes improving regulatory mechanisms, accelerating the establishment and business licenses, improving online investment information systems, and promoting investment through print media or electronics. If the large private sector roles and economic activity expand, then economic growth, job creation will increase.
b) Government expenditures that negatively affect economic growth compel the government of Maluku Province to take serious and caution in determining the strategy of allocating and distributing government expenditures in order to have an impact on economic growth and poverty reduction. Therefore, the allocation of government spending should be used more for government investment in the form of infrastructure. This is done because to accelerate and accelerate the development and turn of the economy wheels required adequate infrastructure. By paying close attention to this government investment, it is expected to increase private investment and economic growth and poverty reduction in Maluku Province.
c) Maluku Province does not only require high economic growth, but economic growth that can be enjoyed directly by many parties so that it can have a very big impact on poverty reduction. To achieve these objectives, the main policy that needs to be done is to advance and expand the secondary sector with the development of other sectors, especially the primary sector. For example, the development of industrialization based on primary sector. This policy is pursued in order to realize mutual support mechanisms between sectors, in order to create a process of transformation of a strong economic structure.

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