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The Influence of Private Investment, Human Development Index (HDI) and Local Government Capital Expenditure (LGCE) on the Economic Growth and Original Local Government Revenue (OLGR) in the Regency/City of West Kalimantan Province

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Abstract
Economic growth is still continues to be used as an indicator of the success of economic development of a country/region. The level of economic growth is influenced by many factors. This study aims to examine and analyze (1) the influence of private investment (PI), Human Development Index (HDI) and government capital expenditure (GCE) on economic growth (EG) partially and simultaneously, and (2) the impact of economic growth on original local government revenue (OLGR) District/City in the province of West Kalimantan. Data analysis using method quantitative approaches Random Effects Model (REM) with panel data from 2006 to 2011. Test results show significant PI and HDI and BMP significant effect on EG. Then, EG significant effect on OLGR with $\alpha = 5\%$
Keywords : private investment, human development index, government capital expenditure,

INTRODUCTION

Construction of an improved economic and social conditions of a community group that refers to ways of managing natural resources and human resources in order to improve the prosperity and well-being. The main objective of development is to create an environment that allows people enjoy long life, healthy, and productive life runs (UNDP, 2000 in BPS, 2009:3).

Economic growth is still continues to be used as an indicator of the success of economic development of a country / region. However, this indicator needs to be criticized, because it does not guarantee high economic growth (not always) positive impact on improving the welfare and reducing disparities of income distribution. High economic growth is not accompanied by reductions in poverty, unemployment and inequality of income distribution is categorized as economic growth is not qualified. High economic growth, failed to improve the living standards of the majority of the population (Todaro and Stephen, 2006:20; Kuncoro, 2006:11).

For the countries / regions that have a surplus of labor over economic growth wants quality, not the size of the growth achieved. According Yustika (2007:229) low economic growth but the quality is much more useful than high economic growth but only draw a handful of capitalists. Stiglitz (2008) in Suparno (2009:5) confirms "significant economic growth only if the growth was accompanied by an increase in equity".

In the midst of poverty, unemployment and inequality of income distribution, macro-economic condition of Indonesia showed a tendency to improve. Economic growth during the period 2004-2010 average growth above five percent (BPS, 2011a: 14). However, if explored more in-depth picture that emerges is not very encouraging, especially when associated with the achievement of poverty, unemployment and unequal distribution of income in the same period. Economic growth as if the loose connection and not bring positive impact on the improvement of the welfare of the community through job creation and poverty reduction.

Indications less qualified Indonesia's economic growth during the period 2004-2010, can be seen from the sectoral growth gap widened between sectors tend to trade, communications and services to the real sector (industry, manufacturing, agriculture and mining). BPS (2011a) explains that a lot of the real sector employment and have a great contribution in the formation of GDP , grew more slowly (between 0.5 to 4.7 percent) and under the GDP growth. In contrast, trade, communications and services showed a higher growth of GDP (between 4.2 to 5.5 percent). In addition to sectoral growth gap, the components that make up GDP from the demand side need to be observed. During the period 2004-2010, the components are the largest contributor to economic growth in household consumption (around 61-67 percent). Otherwise contribute to the formation of the investment component of GDP is relatively small (about 22-28 percent).

The same phenomenon occurred in the province of West Kalimantan, where economic growth is relatively high (average 5%) has not been accompanied by improved parameters of successful economic development (poverty, unemployment and inequality of income distribution). BPS data (2011:48) informs that by 2010, the number of poor in West Kalimantan recorded 428 760 inhabitants. (9.02%), the number of unemployed 101 620 people (4.62%) and the unequal distribution of income based Gini Ratio (GR) was 0.37.

Interesting to observe the achievements of West Kalimantan GDP from the demand side. According to Bank Indonesia (2011a: 92) turned out during the period 2004-2010, the contribution of household consumption to GDP is relatively large (between 50.94 to 53 percent). Cause of the high rate of economic growth in the period

2004-2010 West Kalimantan is the level of household consumption, not investment. The high contribution of household consumption to sustain growth, a sign of poor-quality economic growth.

West Kalimantan face the classic problem as experienced by other provinces in Indonesia, which is owned by the limited capital that was not optimal utilization of natural resources. Achievement of an average investment of less than 50%. Realization of private investment (domestic and foreign) in West Kalimantan is not optimal as expected (actual average below 36 percent). Realization of capital expenditure is much lower (approximately 30% of total expenditure).

Capital expenditure as part of the local government's direct expenditures, the amount is not the same because of differences in the fiscal capacity of each region. However, we need to realize that the government's investment through the capital expenditure will be able to stimulate the economic activity at the local level through increased community activity and also the additional investment from the private sector a greater (Abimanyu, 2005).

In addition to the investment performance of private and government capital expenditure is low, the process of development of West Kalimantan province are faced with the quantity and quality of human resources (HR) is low. Untapped human capital optimally, whereas human capital is one of the important factors in the process of economic growth (Jhingan, 2002:414). Development of education and health have not been evenly distributed across regions (coastal, inland areas, border areas).

From 2004 to 2010 HDI West Kalimantan moves up, but still slower and lower than the national HDI. BPS (2011b) reported HDI West Kalimantan in 2004 was 65.4 (rank 27 out of 33 provinces). Six years later, moving up reached 69.15 (was ranked 28th out of 33 provinces). HDI achievement downgrades West Kalimantan nationally indicate that the process of development in West Kalimantan is slow compared to other provinces (accelerated development slowed down).

Economic growth can be traced from the two sides, namely the demand side and supply side , (Basri, 2009; Bank Indonesia, 2011b). Strong economic growth because it is supported by an increase in supply and demand can drive increased revenue, (Adi, 2006). Phenomenon faced by districts/cities in West Kalimantan today is in the form of the increasing needs of local budgets for basic infrastructure development and improvement of public services, while the fiscal capacity is insufficient. Local financial sources such as OLGR is not fully participate and contribute to regional revenue is still low.
Based on the description and the facts are revealed, interesting to study how the effect of private investment, IPM, and capital expenditures on economic growth and OLGR in West Kalimantan.

LITERATURE REVIEW

Economic growth is one important indicator in analyzing the performance of economic development occurring in a region / country (Kuncoro, 2004:114). Economic growth shows the extent to which economic activity would generate additional income in a given period. Mankiw (2003:174) states that economic growth shows the extent to which economic activity would generate additional income in a given period. Because economic activity is basically a process of using the factors of production to produce output, then this process will in turn generate a stream of remuneration to the factors of production are owned by society.

In recent years, the theory of economic growth and many new emerging referenced in economic development is the so-called endogenous growth theory (endogenous economic growth). This theory presents the argument that economic growth is driven by the dynamic nature of human resources (HR). Investment in human resources, will "roll" the future economic progress. This theory basically explores the importance of HR and that may be mentioned the doctrine of accumulation of human resources. While technological aspects do not like the theory of Neo-Classical Sollow Swan snaking ngetengahkan eksogenity nature of technology.

In the Solow-Swan growth model (1956) in Todaro (2003:105-109), economic growth in an effort to increase production and income, related to the accumulation of capital (K), the growth of labor (L), natural resources (N), and technological progress (t), so that the Solow growth model is mathematically formulated as follows:

$$Y = f(K, L, N, t)$$

On the other hand, for the sake of time-series analysis (time series) which can reflect the local regional income, regional growth model Nazara (1994:19-36) suggests that regional income (Y_{it}) sourced from Kapital (K_{it}), labor (L_{it}) and the Quality of Human Capital (H_{it}), as indicated by the functional model as follows:

$$Y_{it} = A(P_{it})^{\alpha} (K_{it})^{\alpha 1} (L_{it})^{\alpha 2} (H_{it})^{\alpha 3}$$

Where:

Y_{it} = regional income
P_{it} = the proportion of the urban population
K_{it} = the amount of capital used
L_{it} = amount of labor used
H_{it} = quality of human capital
A = productivity factor, as variable production efficiency

it = region i and at time t

Through the use of the natural logarithm on both sides, then the linear equation is:

$Ln\ Y_{it} = \ln A + \alpha \ln P_{it} + \alpha_1 \ln K_{it} + \alpha_2 \ln L_{it} + \alpha_3 \ln H_{it}$

Nazara estimation model is more focus on the two important economic factors that owned an area (population and capital) in determining regional income growth.

In different applications, the production function is assumed to be constant returns to scale to all factors of production, is used by Setiati (1996:130) by modifying the Solow model through the addition of variable currents government services (G) and human capital (H) and demographic factors other, so that the model is Y = f (K, L, G, H).

Ramirez, et al (1988) revealed that between human capital and economic growth in fact there is a relationship of mutual influence. There was a period in which economic performance affects human development, particularly through the activities of households and government. And there was a time when a high level of human development will affect the economy through increasing the capability of the population and consequently also on their productivity and creativity.

Agreeing with Ramirez et al, Soubbotina (2004:7-9) suggests that cyclical correlation between economic growth and human development. Soubbotina seeks construct as a tool of economic growth and human development as the goal. Quality economic growth can be enjoyed by people through improving access to health services, education and employment services. Adequate access to public services, such as health, education, economic and community to deliver welfare achieve a better degree / higher quality to economic growth and sustainable. Economic growth and the quality is very possible to achieve sustainable human development aimlessly for qualified workers, technological innovation and management is reliable and trustworthy.

Currently, most of the activity in the development of production of goods and services (as well as an indicator of economic growth) were triggered by innovation and technological change. Technology is no longer considered as exogenous variable in the production process, but incorporated as a core variable of the production function aligned with capital, labor, and land. The process of economic growth in terms of the dynamics of endogenous, ie by incorporating innovation and technological change as an endogenous variable dynamically developing, was then popularly referred to as the 'new growth theory' (new growth theory) (Jaffee, 1998: 107 in Yustika, 2009: 237). On this basis, a dynamic growth model to try to design a growth model that can capture the role of science and ideas to accelerate innovation and technological change.

Based on the study Abramovitz (1951), Solow (1956), Kendrick, Denison and Mincer (1974), Gary Becker (1975), Schultz (1988), Williamson (1991) and Amartya Sen (2003), stated that there is a positive relationship between development human resources (especially education and health) with sustained economic growth (in Tjiptoherijanto, 2005:643). In a model of virtuous triangle (Kuncoro, 2002:116; Hamid, 2003:228) argued that human development positively affects economic growth, both directly and indirectly through democracy. Chow, (2011:61) revealed three main factors causing the Chinese economy is growing fast. The third factor is the high quality human resources, institutions rapidly evolving market and technology level.

The amount of capital used (K) proposed by Solow (1956), Nazara (991) and Setiati (1996) covers private investment and government investment. According Mangkoesoebroto (2008) investment properties can be shaped Directly Productivity Capital (DPC) and the Economic Overhead Capital (EOC), but the term often used is Direct Productivity Activity (DPA) and Social Overhead Capital (SOC). Investing in this study is limited to private investment, including foreign investment (FDI) and Domestic Investment (DCI) which is DPA and government investment in the form of development expenditure which is SOC.

The role of government and the private sector in the economy can be seen in the National Budget/District Budget on the expenditure side, namely in the form of private investment spending that are Direct Productivity Activty (DPA) and more government spending is Social Overhead Capital (SOC). Government spending broadly grouped into two parts, namely current expenditure and development expenditure (Mangkoesoebroto, 2008). Development expenditures are expenditures related to the capital increase in the form of physical infrastructure. Development spending not only impact on economic growth, but also have an impact on the welfare of the community through the provision and improvement of social infrastructure.

Dumayri (1996); Tambunan (1996) states in perkonomian undeveloped, government's role is more dominant than the private sector, but not so in the economy has grown. More government role is in the form of social infrastructure investments that aim to attract private investment and economic as well as providing social services to the community.

Theoretically the private sector's role in economic growth proposed by Schumpeter (1911) in Jhingan (2000:355) who describes the process and the factors that determine economic growth. Economic growth comes from the initiative and created by innovative entrepreneurs (entrepreneur), the class of people who are able to organize the factors of production to create goods and services that people need. The economy is not growing (stationary), but on the other hand the possibility to hold a favorable renewal, then the employer conducts new investments as well as organizing factors of production to create the update. This will stimulate the number of entrepreneurs to multiply, increasing capital investment in order to create an active economic activities and in

turn will boost economic growth.

Economically, public sector investment through the capital expenditure to be an important instrument for local governments as a locomotive acceleration and splendor of economic activity, so that a level playing field for the private sector open as wide as possible to absorb the higher labor supply. Subsequent impact is increasing revenue through the acquisition of taxes and levies (Halim, 2008; Adi, 2012)

Original Loval Government Revenue (OLGR) is income derived from sources in the area where the collection and management of a local government authority. One of the interesting issues related to fiscal decentralization policy is on increasing local capacity to increase revenue or taxing power called (Musgrave, 1993; Suparmoko, 2002). However, the law mandates that the increase in OLGR may not cause high economic costs that hamper public service and business climate.

Theoretically, (Harianto, 2007; Purwanto, 2009) the size of the potential revenue in an area affected by the regional economic development is concerned, especially in the industrial and services sectors. Because these sectors are very dominant revenue base. Thus, to estimate the amount of revenue and revenue growth each year can be used regional economic growth assumptions used.

Previous Studies

Study Ram (1986) in all developing countries and underdeveloped concluded that investment and employment and a significant positive effect on economic growth, while government spending and a significant negative effect on economic growth. Changes in economic growth can be explained by three independent variables or the coefficient of determination of 30% -46%.

Study Sala-I-Martin (1997) study above, particularly with respect to investment, concluded that private investment in developing countries and developed countries have a significant effect on economic growth, while government investment is not a significant effect or even a negative effect on economic growth.

Oktaviani Studies (2006) and Priyagus (2007) concluded private investment and significant positive effect on economic growth, while the amount of labor and development spending is not significant effect on economic growth.

The results Rahayu (2000) concluded that the role of local public sector has a significant impact on economic growth, but on the other hand is not able to eliminate the economic disparities between regions. Associated with government investment, government investment and the government turns a significant effect on economic growth. The second variable is an important variable for economic growth, but was unable to eliminate economic inequality.

Bati's Research (2009) in North Sumatra, Purwanto (2009) in East Java and Sultan (2010) in South Sulawesi concluded that capital expenditure has positive influence on economic growth in the region. The World Bank study (1993) and the Asian Development Bank (1997) in Kuncoro (2007:115-117) proving that a high level of literacy, low infant mortality rates and levels of inequality and poverty are low to contribute positively to economic growth is very rapidly in East Asia and Southeast Asia. Desus and Remy (2000) concluded that human resources are proxied by education and private investment, and a significant positive effect on economic growth. Government investment is not significant effect on economic growth while population growth until the negative marginal impact on economic growth.

Brata's Research (2002) entitled *Human Development and Regional Economic Performance in Indonesia* concluded both lines the relationship between human development and economic development are empirically shown to be valid, the significant positive effect of economic growth on human development and human development significant positive influence on economic development.

Saragih (2003) in Adi (2012:6) argues that the increase is the excess of revenue growth. Revenue growth should be sensitive to economic growth. Sinring (2003) concluded: (1) there is a positive effect between development expenditure to revenue (OLGR). Infrastructure improvements and infrastructure exacerbated the region's fiscal capacity. This means a stimulus towards development expenditure to increase OLGR, (2) there is a positive and significant effect of government expenditure to revenue, (3) there is a positive effect between GDP with OLGR.

RESEARCH METHOD

The data used is a cross-tabulation of data (cross section) of the 9 districts and 1 city and time series data (time series data) 2005 sd , 2011. Specific data for 2006, a time lag of data. Thus the data in this study is a panel data (pooled data) by the number of observations of 6 (years) x 10 (district / city) = 60 observations.

Problems in the study is a two-way causality. In econometrics, the completion of a two-way causality can only be solved through a system of simultaneous equations (Gujarati and Dawn, 2011: 365-381; Daryanto and Yundi, 2010:93-102). Simultaneous equations is formulated as follows:

$\hat{Y}1it = \beta o + \beta 1\ X1it\text{-}1 + \beta 2 + \beta 3\ X2it\ X3it\text{-}1 + \mu 1it$ ---- ..... (1)

$\hat{Y}2it = \beta o + \beta 1 + \hat{Y}1it\ \mu 2it$ .....(2)

Where:

$X1_{it-1}$ = Private Investment for the i-th individual and time (t) the previous year
$X2_{it}$ = Human Development Index for the i-th individual and to the time-t
$X3_{it-1}$ = Government Capital Expenditure for the i-th individual and time (t) the previous year
$Y1_{it}$ = Economic Growth for the i-th individual and to the time-t.
$\hat{}Y1_{it}$ = Economic Growth estimates for the i-th individual and time to-t
$Y2_{it}$ = Revenue for the i-th individual and to the time-t
βo = constant (intercept), β1, β2, β3, and β4 = coefficients change
μ1it and μ2it = error term

The next step is to find the value estimated from equation 1 by using Pooled Least Square (PLS) and data processing software programs using Eviews 6. The PLS method includes three (3) models, namely Ordinary Least Square (OLS), fixed effects models (fixed effect model / FEM) and the random effects model (random effect model / REM). Nachrowi and Hardius, 2006:311-318; Winarno, 2011:9.14-9.19; Daryanto and Yundi, 2010:89-92) explains OLS, FEM and REM as follows.

OLS method is the technique of estimating panel data without considering the dummy variables and the residual correlation. FEM method, is a technique of estimating panel data using a dummy variable to capture the difference in the intercept. Or in other words, the intercept may be changed for each individual and time. REM method, is a technique in which the panel data estimation residuals may be interconnected across time and between individuals. When the FEM differences between individuals and or time reflected through the intercept, then the REM, the difference is accommodated by the error.

The three models will be selected based on consideration / certain criteria to assign one (1) models. To select the best model, used Hausman test (Nachrowi and Hardius, 2006:319; Winarno, 2011:9.20). Determination of the best model according to the Hausman test p-value criteria (p-value). If the p-value is greater than 5 percent, it was concluded that the model is better than the FEM model of REM. If the p-value is less than 5 percent, it was concluded that the model is better than REM FEM models. Selected models will be used to estimate the value of a variable for economic growth (^ Y1it). The estimates of economic growth will be the exogenous variables in order to examine and analyze the effect of economic growth on OLGR.

Hypothesis testing is useful to examine or test whether significant regression coefficients obtained (significantly different). According Nachrowi and Hardius (2006:16) is a significant purpose of the regression coefficients are statistically different from zero. If the slope coefficient is equal to zero, meaning there is not enough evidence to declare the independent variables (exogenous variables) have an influence on the dependent variable (endogenous variables).

To determine the significance, all the regression coefficients should be tested. There are two types of hypothesis testing to regression coefficients, the F-test and t-test. F-test is used to test the regression coefficients jointly and t-tests to test the regression coefficients, including the intercept individually.

F-test is used to test whether the exogenous variables (X1; X2 and X3) simultaneously significant effect on endogenous variables (Y1). Criteria for making the decision to accept or reject the hypothesis is if Fcount> Fα (k; nk-1) then H0 is rejected and Ha is accepted and if the F value ≤ Fα then H0 is accepted and Ha rejected. Confidence level used in this study 95%. To get the value Fhitung used formula: F value = {R2 / (1-R2)} / (nk-1 / k), where R2 = coefficient of determination, n = number of samples, and k = number of parameters to be estimated (number of independent variables , including constants.

T-test was used to test whether the exogenous variables (X1; X2 and X3) partially significant effect on endogenous variables (Y1). Criteria for making the decision to accept or reject the hypothesis is that if t ≤ tα / 2 then H0 is accepted and Ha rejected and if t> tα / 2 then H0 is rejected and Ha accepted. Level of confidence that is used 95% (alpha = 5%).

DISCUSSION

Among the three models proposed estimation, model of REM are set to analyze the effect of private investment, IPM and capital expenditure on economic growth. Determination of REM models are based on the results of the Hausman test (Hausman Test). Hausman test results indicate the p-value (p-value) = 0.0002 is smaller than 0.05. This means that the model is better than REM FEM models.

Based on predefined method REM (elected), the first simultaneous equations can be arranged as follows:

$$\hat{}\mathbf{EG}_{it} = 9.81607 + 4.42e\text{-}11\mathbf{PI}_{(t-1)} - 0{,}04969\mathbf{HDI} - 7.46e\text{-}09\mathbf{LGCE}_{(t-1)} \quad \text{.....(3)}$$

Economic growth endogenous variables in equation (3) to be exogenous variables in both equations simultaneously. By using the method of OLS, the parameter estimates obtained OLGR equation as follows:

$$\hat{}OLGR_{it} = 39480709 + 4650221\hat{}EG_{it} \quad \text{..... (4)}$$

The third research hypothesis testing results are summarized in Table 1

Table 1: Results of Hypothesis Testing

Hypothesis	The effect	F_{stat}	$F_{\alpha (k; n-k-1)}$		Decision
1 (Simultaneous)	PI, HDI and CEG on EG	4.746	2.65		Significant
Hypothesis	**The Effect**	**Beta**	**t**	**Prob**	**Decision**
2 (partial)	1.1 PI on EG	4.42e-11	0.098	0.923	Not Significant
	1.2 HDI on EG	-0,0497	-0.344	0.732	Not Significant
	1.3 CEG on EG	-7.46e-09	-2.108	0.039	Significant
3	EG on OLGR	4650221	3.265	0.002	Significant

Sources: Data Processing, 2012

Based Test-F (simultaneous test) as presented in Table 1 turns three exogenous variables (private investment, and government capital expenditures IPM) have a significant effect on economic growth in the province of West Kalimantan. Significant influence is consistent with the theory of economic growth put forward by Solow (1956). Solow explained that the investment, savings, population growth and technology affect economic output and growth.

Although all three exogenous variables have a significant effect on economic growth, but in fact the third effect is relatively small exogenous variables in explaining the variation in economic growth in the province of West Kalimantan. The findings of this study indicate that simultaneous influence of these three exogenous variables to only 20.27%. There is still 79.73% other factors affecting economic growth is not examined in this study, such as cultural factors, political, economic actors and leader behavior area, law enforcement, geographic, and other.

The low influence of these three variables exogenous to the economic growth can occur because of a growing private investment in West Kalimantan province in general is an investment in the agricultural sector, especially the plantation sub-sector. In addition, the population is still small compared to the total area and is not spreading evenly, relatively low quality of human resources, the availability of basic infrastructure is still limited, use of unproductive capital expenditure, the use of technology in the economic sectors is still limited as a result of low levels of education.

Private investment is not significant effect on economic growth. These X1→ Y1 which implies◊results do not support the hypothesis of partial that the increase of private investment does not necessarily improve economic growth in the district / city in the province of West Kalimantan. This is due to private investment in the region invested more West Kalimantan (concentrated) in the primary sector (agriculture and mining) were in fact produced after 3-4 years. Agro-industry has not developed. Directions positive effect of private investment on economic growth in accordance with the substance of the theory of investment according to its use (Kamaluddin, 1998:17-19; Robinson in Rosyidi 2004:165)

The findings of this study in contrast to the findings Priyagus (2007) who conducted a study in the province of East Kalimantan and findings Fatihudin (2011) who conducted a study in East Java Province. They concluded that private investment and significant positive effect on economic growth. Differences in the findings of this study with two of the study can be understood from the pattern of economic structure. Patterns of economic structure is the Tertiary East Java - Secondary - Agriculture (TSP). Tertiary sector's contribution to the economy of East Java province about 56% followed by the secondary sector of around 27% and the rest (17%) is the contribution of the primary sector.

Human Development Index (HDI) has no significant effect on economic growth. These results results, means do not support the hypothesis of partial $X_2 \rightarrow Y_1$ that changes in the HDI has not been so meaningful to increase or reduce economic growth. Human development in West Kalimantan have not been large enough contribution to economic growth due to the low quality of human resources, especially from the aspect of education and health. Although the budget allocation for human development increases, but the increase was not immediately have an impact on improving the quality of human resources. Tjiptoherianto (2005:643) argues that in the short term investment in human resources appears to be a futile effort, but in the long term, these investments would encourage economic growth. The proposed state Tjiptoheriyanto can explain why human development (HDI) and no significant negative effect on economic growth in West Kalimantan.

The findings of this study do not support the findings of Abramovitz (1951); Solow, Kendrick, Denison and Mincer (1974), Gary Becker (1975), Schultz (1988), Williamson (1991) and Amartya Sen (2003), which states that there is a positive relationship between human resource development (especially education and health) with sustained economic growth (in Tjiptoherijanto, 2005:643). Likewise Kuncoro, and Hamid 2002:116, 2003:228 through virtuous triangle models suggests that human development positively affects economic growth,

both directly and indirectly through democracy.

Capital spending (LGCE) significant effect on economic growth in the county/city of West Kalimantan Province. These results means that support the hypothesis of partial X3→ Y1 changes in capital spending has a significant impact on the economic growth of the district/city in the province of West Kalimantan. However, although significant, the effect of capital expenditure on economic growth is not always a positive direction, negative direction could also occur as is evident in the findings of this study. Theoretically negative direction is not as expected. Negative direction this could happen due to the utilization of capital expenditures tend to be less productive, the budget allocation for capital expenditure is relatively small, the limited availability of basic infrastructure, vast area, thick peaty soil conditions, and indications of leakage and inefficiency in the planning and implementation of the program.

Results of this study support the study of Zhang and Zao (1998:235) where: First, a variable ratio of total budget expenditure to total expenditure budget has a negative influence on regional economic growth, thus indicating that fiscal decentralization in China failed to encourage regional economic growth. Second, the relative position of regional development expenditure to total national expenditures negatively affect economic growth in the region, indicating local government is not in a good position to make an investment in the public sector. Another study relevant to the study of Aschauer's findings (2000:400), in a study in 46 countries during the period 1970-1990, found an increase in public investment financed by foreign debt negatively affects economic growth, means of financing the foreign debt has been reduce the positive benefits of public sector investment.

The findings of this study in contrast to the findings of the Sultan (2010:183) in the province of South Sulawesi and Fatihudin (2011:170) in East Java Province. Both of these studies concluded that the capital expenditure and significant positive effect on economic growth. Results of this study also differs with findings of Anita (2009), Bati (2009) that concluded increased capital spending has a positive effect on economic growth increase provincial GDP.

Economic growth (EG) and a significant positive effect on OLGR. These results support the third hypothesis. This means that changes in economic growth, both in terms of demand and supply side changes greatly affect the OLGR. Growing economy with most strut household consumption, increased income, high consumption of the imported goods durable, and easier access to loans, may explain why a significant effect of economic growth on economic growth.

Results of this study support the findings of Adi (2006:11) states that economic growth has a positive influence on the acceptance of the OLGR. This finding is consistent with results of studies Saragih (2003) which concluded that the increase in revenue is the excess of actual economic growth, and is also consistent with the findings of Bappenas (2004) which states that revenue growth should be sensitive to GDP growth (economic).

RECOMMENDATIONS

1. Although the findings of this study the effect of private investment on economic growth empirically insignificant, does not mean the effort is not made to attract investors. Provincial and district / city must continue to strive to improve the investment climate to ease licensing (a one stop / one top service), and the provision of basic infrastructure. Additionally, it takes the seriousness of local governments construct the designs of the (grand design) investment area includes not only a variety of strategies to increase private investment, but also contains incentives and disincentives, to guide private investment to specific sectors.
2. Given the HDI as an indicator of human development, the human development through education and health should be implemented uniformly up to the district and village level, especially in terms of the distribution of teachers and medical personnel (doctors and nurses). Policy learning Package A, Package B and Package C should continue to be implemented in order to increase the literacy rate and the average length of the school.
3. Negative effects of capital spending to economic growth in West Kalimantan is not expected. For future capital expenditures positive impact on economic growth, the utilization of capital expenditure is directed to the development of basic infrastructure to the village level. Availability of infrastructure to be one attraction for investors to invest in the region and also one of the parameters in increasing regional competitiveness. For it in the long run the central and local governments are expected to reduce personnel expenditure and increase capital spending (specifically allocated for infrastructure needs at least 50%).
4. Economic growth that significantly influence the OLGR deserves attention in order to the region's autonomy. Desired economic growth is economic growth that can absorb a lot of labor as a result of the development of the real sector. The development of the real sector, followed by the reduction of poverty and unemployment will encourage the community's ability to pay taxes and levies, thus increasing revenue receipts

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