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The Impact of Government Spending, Investment, and Income Inequality on Economic Growth and Employment Opportunities in Bone Regency

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Abstract

This study aims to analyze the effects of government spending, investment, and income inequality on employment opportunities, with economic growth as an intervening variable. The study was conducted in Bone Regency using secondary data obtained from the Central Statistics Agency (BPS) for the period 2015–2022. The research design utilized quarterly time-series data, and the analysis was performed using Path Analysis with the assistance of SPSS version 26.The results show that government spending and investment have a positive and significant effect on economic growth, while income inequality has a positive but insignificant effect. Furthermore, government spending and investment were found to have a positive and significant effect on employment opportunities, whereas income inequality exerts a negative and significant effect. Economic growth was found to have a positive but insignificant effect on employment opportunities. Indirectly, government spending, investment, and income inequality have a significant effect on employment opportunities through economic growth as a mediating variable. Overall, these findings underscore the importance of effective fiscal policy, accelerated investment, and improved income equality in driving inclusive economic growth and expanding employment opportunities in Bone Regency. Although government spending and investment are capable of driving economic growth, this growth has not yet become an effective transmission mechanism for increasing employment opportunities at the regency level. These findings enrich the literature on regional economic development by emphasizing the importance of the quality of economic growth—not merely an increase in the growth rate—in driving the expansion of employment opportunities.

Keywords: *Government expenditure, Investment, Income inequality, Economic growth, Employment opportunities.*

A. INTRODUCTION

Economic growth is a key indicator for assessing the level of well-being of the population in a given region (Mulionta et al., 2014). In general, high economic growth rates are associated with increased public welfare (Baldacci et al., 2004). However, the benefits of this growth are often not felt equally due to unequal income distribution, so that economic gains are enjoyed only by a small portion of the population (Syafitri et al., 2018). This disparity generally arises from the uneven implementation of development programs, resulting in economic activity being concentrated in certain regions (Wibowo & Tri, 2016). Concentrating development in regions with better infrastructure ultimately widens the income gap between regions (Indrajaya & Awandari, 2016). If this development pattern continues, the level of inequality will widen further. Therefore, as stated Todaro (2000), Economic growth will not be able to reduce poverty without a more equitable distribution of income. (Abdul Aziz et al., 2016).

From this perspective, ideal economic growth is growth that is inclusive and evenly distributed (Abdul Aziz et al., 2016). High and equitable economic growth reflects improving social conditions and demonstrates the successful implementation of the principles of equitable development, as mandated by the 1945 Constitution, which upholds social justice for all the people of Indonesia ((The 1945 Constitution of the Republic of Indonesia). Several indicators can be used to measure the success of government-led development efforts, including changes in the economic structure and per capita income (Tety Marini, 2016). Economic growth is typically reflected in the total output of goods and services produced by all factors of production in a given region over a specific period; it is generally measured by regional gross domestic product (GDP) (Azwar, 2016).

The government's success in promoting economic growth is closely linked to its ability to manage regional resources effectively (M. Nurunnabi Khan, 2018). Therefore, regional development priorities must be aligned with the unique potential of each region, including budgetary policy directions that should support regional economic development based on local resource capacity (Ansofino, 2022). Government spending plays a key role in driving economic development (Wahyudi, 2020). In addition, investment-supporting policies are an important factor that contributes significantly to economic expansion (Solaymani & Montes, 2024). Promoting economic growth requires the involvement of various stakeholders by providing broader access to potential investors (Menne et al., 2022). This policy expands opportunities for investment participation, thereby increasing investment inflows (Jamaliah, 2016). As investment grows, the production of goods and services also increases, leading to higher economic growth (Ioan, 2014).

Economic growth yields greater social benefits when it is widely shared throughout society

(Shah & Asghar, 2023). Thus, equitable distribution of development programs is crucial for improving income distribution and reducing disparities both within and among regions (Dabla-Norris et al., 2015). Achieving more equitable economic growth further strengthens economic expansion, as increased purchasing power stimulates higher demand for goods and services (Halim et al., 2022). Data on economic growth, employment, government spending, investment, and income inequality are presented in Table 1.

Tabel 1 Economic Growth, Government Expenditure, Investment, Income Inequality, and Job Opportunities in Bone Regency

Year	Economic Growth (%)	Government Expenditures (Billions of Rupiah)	Investment (Billions of Rupiah)	Income Inequality (0–1)	Employment Rate (%)
2015	8,30	2.378,09	99.433.879.346.62	0,40	4,27
2016	9,01	2.560,89	14.634.554.395,21	0,39	6,71
2017	8,43	2.700,79	17.706.453.744,45	0,39	7,85
2018	8,90	3.111,88	33.373.903.737,61	0,41	3,98
2019	7,00	3.854,31	48.451.290.983,93	0,37	5,43
2020	-0,25	3.798,29	69.632.203.814,93	0,40	5,28
2021	5,53	3.992,79	83.949.750.878,93	0,38	6,31
2022	5,23	3.797,19	93.481.107.590,00	0,38	3,36

Source: Central Statistics Agency, 2023

Based on the data presented in Table 1, economic growth in Tulang Regency during the 2015–2019 period showed relatively strong performance, ranging from 7 percent to 9 percent. However, from 2020 to 2022, economic growth experienced a significant decline (Central Statistics Agency, 2024). This decline is closely linked to the economic disruption caused by the COVID-19 pandemic, which had a significant impact on regional and national economic activity..

Government spending during the study period showed a general upward trend, although there was a slight decline in 2020 and 2022 compared to previous years. Meanwhile, investment figures showed a sharp decline from 2015 to 2016, followed by a consistent and substantial increase from 2016 to 2022 (Central Bureau of Statistics, 2024). Income inequality fluctuated within a relatively narrow range during the study period, indicating that the gap persisted but did not undergo extreme changes. A similar pattern was observed in the employment opportunity indicator, which showed fluctuations throughout the study period.

Government spending serves as the primary instrument of state intervention in the economy (Van et al., 2023; Goh & Mohd Aznan, 2023). An increase in government spending can stimulate economic growth, which is typically measured by changes in Gross Domestic Product (GDP) (Surya et al., 2021). In addition, government spending can boost demand for goods and services due to

increased purchasing power resulting from capital expenditures, personnel expenses, employee salaries, and other budget allocations (Boug et al., 2023). This situation typically encourages investors to increase their investments in response to growing market demand (Boug et al., 2023).

Government expenditure aims to fulfill the consumption needs of goods and services necessary for government operations, as well as to finance development programs intended to improve public services (Fedotenkov & Idrisov, 2021). Such expenditures can be implemented both by the central government and by regional governments through allocations sourced from the Regional Revenue and Expenditure Budget (RREB) (Sohail et al., 2022).

B. LITERATUR REVIEW

2.1 Economic Growth

Economic growth is the process of sustained change in the economic conditions of a region or country over a specific period of time, leading to a better state of affairs. (Rahman & Alam, 2021). Economic growth is driven by an increase in the volume of goods and services produced by factors of production in a particular country or region (Rahman & Alam, 2021). In a growing economy, the income of the population—as one of the owners of the factors of production—also increases (Safiullin et al., 2014). In a growing economy, people's incomes also rise as they are among the owners of the factors of production (Suminah et al., 2022).

2.1.1 Robert Solow's Theory of Economic Growth

Robert's growth model analyzes the growth of capital stock, the growth of the labor force, and technological progress in the economy to determine how they influence productivity in the production of goods and services (Roberts & Rodriguez, 1997). According to this theory, long-term economic growth is determined by factors outside the model (Roberts & Rodriguez, 1997). In this model, it is assumed that, in the long run, the economy will undergo a process of convergence toward a steady-state growth condition—that is, economic growth that is largely determined by technological progress and workforce development. (Durand et al., 2024). The main assumption is that if technological progress or labor force growth increases, the rate of return on capital will also increase, due to higher productivity (Utomo, 2023). Similarly, if technological progress and the labor force remain constant, capital accumulation will decline; as a result, at a certain point, the amount of available capital will be insufficient to meet capital needs. At this stage, the economy will stop growing (Utomo, 2023).

2.1.2 Endogenous Growth Theory (New Growth Theory)

This theory holds that economic growth is a process that generates output within an economic system, based on the assumption that economic growth is determined not only by external factors but also by internal factors, including the production system (Onyimadu, 2015). Technology does not originate outside the model; rather, it is part of the economic growth process. Technology is one of the key components of the production system (Onyimadu, 2015). More advanced technologies tend to offer higher production capacity and greater cost efficiency. Therefore, economic actors are encouraged to invest in knowledge. One reason organizations are encouraged to invest in human resources is to view them as assets that can support the development of new concepts and technologies aligned with consumer needs (Jones et al., 1997). High-quality human resources can drive internal innovation and serve as an asset in creating new opportunities (Saleh et al., 2020). In general, capital is the main factor in the economy (Li et al., 2021). The definition of capital has been expanded to include knowledge and people. The definition of capital has been expanded to include knowledge and people (Jie & Lan, 2024). This view is consistent with the assumption put forward in the theory of endogenous growth that long-term economic growth is determined by the role of physical capital and human capital in an economy.

2.1.3 Modern Theories of Economic Growth

The basic assumption of this theory is that the government plays a crucial role in regulating the economy to address the failures of the free-market system. Proponents of this view tend not to believe in the effectiveness of the free-market system (Ucak, 2015). The Harrod–Domar theory of economic growth is an extension of the macroeconomic theory proposed by Keynes (Eren, 2011). Both economists believe that investment spending affects not only aggregate demand (AD) but also aggregate supply (AS), which is a direct result of changes in production capacity. (Ikonnikova et al., 2022). The basic assumption underlying this view is that an increase in investment leads to an increase in the stock of capital (Kadyraliev et al., 2022). According to Harrod–Domar, every increase in the stock of capital by society increases society's ability to produce output. The output referred to here is potential output (Kadyraliev et al., 2022). Economic growth can be calculated using the following formula (Bank of Australia, n.d.):

$$g = \frac{GDP_1 - GDP_0}{GDP_0} \text{ x}100\% \quad (1)$$

Description:

G = Economic growth rate

GDP_1 = Real national income achieved during the current year

GDP_0 = Real national income in the previous year

2.2 Employment Opportunities

Employment opportunities refer to the availability of production activities capable of absorbing labor in the production process, which in practice are known as jobs (Kolade & Owoseni, 2022). Therefore, the appropriate indicator for measuring employment opportunities is the number of people engaged in economic activities during a given period (Sato et al., 2015). Employment opportunities are not only a source of income for working individuals (Hetschko et al., 2020), but it is also a key component in boosting national income, as reflected in a country's gross domestic product (GDP) (Seenivasan et al., 2023).

A high rate of employment has the potential to drive economic growth, thereby simultaneously improving the well-being of the population, which can be measured by per capita income (Hariyanti et al., 2024). An increase in household income will lead to higher consumption, which in turn will drive up demand for various types of goods and services (Rozi et al., 2023). Producers will respond to this increase in demand by expanding production capacity, which will in turn lead to growth in investment activity (Wolf, 2023). This situation ultimately increases demand for various factors of production, including labor (Wolf, 2023). Thus, the expansion of employment opportunities is an integral part of the economic development process (Wolf, 2023).

2.3 Government Expenditures

Government spending is one component of fiscal policy that can support economic growth (Easterly & Rebelo+, 1993). The purpose of fiscal policy is to serve as a tool for maintaining price stability (Criste & Lupu, 2014). In addition, the policy is also aimed at promoting output growth, job creation, and sustainable economic growth (Tengfei & Ullah, 2024). Consequently, government spending is expected to boost economic activity among the public (Goh & Mohd Aznan, 2023b). Therefore, in an effort to continue driving national economic growth, government spending must always be increased, even if it means running a budget deficit (Zeyneloglu, 2018). Infrastructure development is a key factor in supporting the community's economic activities (Hermawan et al., 2017). In addition to increasing community involvement in development activities, it will also further facilitate community mobility and the flow of information, as it is supported by the availability of adequate infrastructure, including roads, electricity, telecommunications, and other infrastructure. (Hermawan et al., 2017). As a result, the community's economic activities can continue to grow (Hermawan et al., 2017). Government expenditures carried out by local governments are outlined in

the regional revenue and expenditure budget (APBD) prepared by each local government. The APBD is funded by equalization grants from the central government and local revenue (Paranata, 2022). The Regional Revenue and Expenditure Budget is a government capital expenditure plan designed to promote economic growth in a region (Lian et al., 2024a).

2.4 Investments

According to Keynesian economics, investment is defined as spending on capital goods and production equipment that will be used to produce goods and services to meet future needs (Pollitt et al., 2024). Investasi dapat juga diartikan sebagai kegiatan pembangunan yang bertujuan untuk meningkatkan kapasitas produksi dalam suatu perekonomian (Sujova et al., 2015). Investment activities are not only intended to increase output, but also play a key role in the distribution of the labor force, income distribution, economic growth, the quality of the population, and technological advancement (Chang, 2023). Based on Harrod-Domar's research on economic growth models in developed countries, it was found that economic growth is largely determined by the accumulation of investment and national savings (Sugozu et al., 2023). This assumption is consistent with the nature of investment as a catalyst for generating income, which in turn affects demand and triggers a multiplier effect that amplifies capital accumulation (Rohmawati & Rasmini, 2012). Investments can be made in the real sector such as the purchase of land, gold, machinery, or buildings or in financial assets, such as time deposits, stocks, and bonds (Allen et al., 2011)

2.5 Income Inequality

Income inequality is the degree of disparity in the incomes earned by people in a given region (Garbasevschi et al., 2023). Income inequality can also be defined as a condition in which income is distributed unevenly among the population. The problem of income inequality often occurs in countries experiencing high economic growth (Mdingi & Ho, 2021a). Income inequality shows that high economic growth is enjoyed only by a small portion of the population (Lian et al., 2024b). This issue not only has economic implications but also extends to social aspects, as it has the potential to give rise to social jealousy and social unrest. (de Roo et al., 2019). Income inequality in a region is typically measured using the Gini coefficient. The Gini coefficient ranges from 0 to 1. If the Gini coefficient approaches 1, income inequality is higher; conversely, if the Gini coefficient approaches 0, income inequality is lower (Mahdi Igamo, 2023).

2.6 The Relationship Between Government Spending, Economic Growth, and Employment Opportunities

The government plays a very important role in economic development (Stiglitz, 2021).

Government spending is always aimed at improving people's lives (Jung et al., 2015). Government spending on development projects can boost economic activity among the public, thereby increasing the production of various types of goods and services (Surya et al., 2021b). Consequently, this situation will drive economic growth and improve the well-being of the people (Surya et al., 2021b). According to Keynesian theory, economic growth is influenced by four factors: consumption, investment, government spending, and net exports (Mariati et al., 2022). Meanwhile, these four factors are also influenced by several other factors, namely price levels, inflation rates, interest rates, the money supply, and exchange rates (Mariati et al., 2022). Government spending will have both direct and indirect effects on the production of goods and services (Van et al., 2023b). In addition, the government's economic development programs have increased the demand for factors of production, including the demand for labor (Supriyadi, 2012). Consequently, employment opportunities are increasing at the same time (Supriyadi, 2012).

2.7 The Relationship Between Investment, Economic Growth, and Employment Opportunities

Investment plays a crucial role in driving a country's economic activity (Koopman & Wacker, 2023). Capital formation can expand production capacity, increase national income, and create new jobs (Surya et al., 2021b). Meanwhile, according to Keynes, economic depressions and recessions can be combated by increasing government spending and reducing taxes, in order to boost private-sector consumption (Streeten, 1987). The basic assumption of Keynesian theory is that capital accumulation through investment activity and the rate of output growth are equal to the level of potential aggregate demand (Fontana & Sawyer, 2024). In addition, capital accumulation through investment activities will also boost economic activity through the aggregate demand mechanism, which in turn will lead to increased demand for labor, driven by an increase in production efforts (Malahayati et al., 2021). The amount of investment will determine the level of labor demand; the greater the investment, the greater the additional employment (J. & Jurais, 2022).

2.8 The Relationship Between Income Inequality and Economic Growth and Employment Opportunities.

Economic development is essentially intended to improve the well-being of the people (Harger et al., 2019). However, high economic growth is often not enjoyed equally by the public, because economic growth is not distributed evenly across all regions. (Parr, 1973). This was triggered by development programs that were implemented unevenly across regions, a situation that also led to an imbalance in economic activity among regions. (Gura et al., 2023). Economic activity is concentrated

primarily in regions with more adequate infrastructure (Gura et al., 2023). Consequently, regions with higher levels of economic activity tend to have higher economic growth rates than regions with lower levels of economic activity, which leads to income inequality among regions. (Mdingi & Ho, 2021b). Areas that tend to be hubs of economic activity are generally better able to generate higher incomes compared to areas with relatively low levels of economic activity. (Mdingi & Ho, 2021b). Similarly, employment opportunities are heavily influenced by the level of economic activity (Chitescu & Lixandru, 2016). Regions with higher levels of economic activity also tend to have higher employment rates compared to regions with lower levels of economic activity; similarly, income tends to be higher in regions with higher levels of economic activity (Hariyanti et al., 2024).

C. RESEARCH METHODS

This study was designed using a confirmatory approach, in which the researcher sought to confirm the relationship or influence of government spending, investment, and income inequality on employment opportunities through economic growth in Bone Regency. The data used in this study consisted of secondary data in the form of quarterly time-series data covering the period from 2015 to 2022. Data collection was conducted through a literature review by accessing the official website of the Central Statistics Agency (BPS). Data analysis was performed using Path Analysis. The variables analyzed are Economic Growth ($X1$), Investment ($X2$), and Income Inequality ($X3$) as exogenous variables affecting Labor Absorption ($Y2$) as an endogenous variable through Economic Growth ($Y1$) as an intervening variable.

D. RESULTS AND DISCUSSION

4.1 Stage I Hypothesis Testing

Before analyzing the influence of each independent variable on its dependent variable, a model fit analysis was first conducted using the coefficient of determination (R^2). This value is used to determine the extent to which the independent variables contribute to explaining the dependent variable. If the R^2 value is small or close to zero, then the ability of the independent variables to explain the variation in the dependent variable is very weak. However, if the R^2 value is close to 1, it means that the ability of the independent variables to explain the dependent variable is very strong. The results of the coefficient of determination can be seen in Table 2 below:

Table 2: Correlation Coefficients and Coefficients of Determination (R^2)

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson

1	,765[a]	,586	,550	1,44666	2,035

Predictors: (Constant), ln_Pengeluaran Pemerintah, ln_Investasi, ln_Ketimpangan pendapatan
Dependent Variable: ln_Pertumbuhan Ekonomi

Based on the data in the table above, the coefficient of determination (R^2) is 0.586. This value indicates that the variation in the independent variables—namely, government spending, investment, and income inequality—explains 55.0 percent of the variation in the dependent variable, while the remaining 45.0 percent is explained by other variables not included in this model.

4.1.1 Phase I T-Test

To analyze the effect of each independent variable on the dependent variable, a t-test was conducted, as shown in the following table:

Table 3: Path Coefficients, T-Scores, and Significance Values

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	2.299	2.364		0.974	0.336
	ln_ Government Expenditures	3.872	1.146	1.017	3.378	0.007
	ln_ Investment	0.203	0.085	0.192	2.380	0.022
	ln_ income inequality	0.138	0.284	0.154	0.485	0.139

Dependent Variable: ln_ Economic Growth

Based on the data in the table above, the first-stage equation model can be formulated as follows:
Y1 = 1.017X1 + 0.192X2 + 0.154X3

The data above indicates that the Government Expenditure ($X1$) variable influences Economic Growth ($Y1$) with a path coefficient of 1.017; which means that if Government Expenditures ($X1$) increase by one unit, Economic Growth ($Y1$) will also increase by 1.017 units, assuming all other variables remain constant. The calculated t-value of 3.378 is greater than the critical t-value of 2.228, and the p-value of 0.007 is less than the significance level of 0.05. Therefore, H0 is rejected and Ha is accepted, meaning that the Government Expenditure ($X1$) variable has a positive and significant effect on Economic Growth ($Y1$) in Bone Regency.

The effect of the Investment ($X2$) variable on Economic Growth ($Y1$) yields a path coefficient of 0.192; this value indicates that if Investment ($X2$) increases by one unit, Economic Growth ($Y1$) will also increase by 0.192 units, assuming all other variables remain constant. The calculated t-value of 2.380 is greater than the critical t-value of 2.228, and the p-value of 0.022 is less than the

significance level of 0.05. Therefore, H_0 is rejected and H_1 is accepted, meaning that an increase in Investment (X_2) has a positive and significant effect on Economic Growth (Y_1) in Bone Regency.

The effect of the Income Inequality ($X3$) variable on Economic Growth ($Y1$) yields a path coefficient of 0.154; which implies that if Income Inequality ($X3$) increases by one unit, Economic Growth ($Y1$) will also increase by 1.154 units, assuming all other variables remain constant. The calculated t-value of 0.485 is greater than the critical t-value of 2.228, and the p-value of 0.139 is greater than the significance level of 0.050. Therefore, H0 is accepted and Ha is rejected, meaning that Income Inequality ($X3$) has no significant effect on Economic Growth ($Y1$) in Bone Regency..

4.2 Phase II Hypothesis Testing

The validity of the model in the second stage of testing—specifically, the effects of government spending ($X1$), investment ($X2$), income inequality ($X3$), and economic growth ($Y1$) on employment opportunities ($Y2$)—can be seen from the coefficient of determination (R^2) values in Table 4 below:

Table 4: Correlation Coefficients and Coefficients of Determination (R^2)

Model Summary[b]

Model	R	R Square	djusted RSquare	. Error of theEstimate	Durbin-Watson
1	,789[a]	,622	,512	1,30139	,988

Predictors: (Constant), ln_Pertumbuhan Ekonomi, ln_Investasi, ln_Ketimpanganpendapatan, ln_Pengeluaran pemerintah
Dependent Variable: ln_Kesempatan Kerja

The table above shows that the coefficient of determination is 0.622. This indicates that 62.2 percent of employment opportunities can be explained by the five variables—government spending, investment, GDP, income inequality, and economic growth—while the remaining 37.8 percent is explained by factors outside the scope of this study.

4.2.1 Phase II T-Test.

The following analysis will examine the effects of the variables economic growth ($X1$), investment ($X2$), income inequality ($X3$), and economic growth ($Y1$) on employment opportunities ($Y2$). To see the magnitude of the influence of each independent variable on the dependent variable, refer to Table 5 below:

Table 5: Path Coefficients, T-Scores, and Significance Values
Coefficients[a]

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	1.807	3.326		1,459	0.178
ln_ Government Expenditures	2.159	1.509	1.154	4.431	0.006
ln_Investment	0.424	0.141	0.478	3.001	0.002
1 ln_ income inequality	-2.513	0.889	-0.848	-2.797	0.002
ln_ Economic Growth	0.138	0.284	1.635	0.485	0.639

Dependent Variable: ln_ Job Opportunities

Based on the data in the table above, the first-stage equation model can be formulated as follows:

$$Y_2 = 1.154X_1 + 0.478X_2 - 0.848X_3 + 1.635Y_1$$

Based on the data above, it can be seen that the Government Expenditures ($X1$) variable has an effect on Employment Opportunities ($Y2$) with a path coefficient of 0.154. This value indicates that if Government Expenditures ($X1$) increase by one unit, then Employment Opportunities ($Y2$) will also increase by 0.154 units, assuming all other variables remain constant. The calculated t-value of 4.341 is greater than the critical t-value of 1.431, and the p-value of 0.186 is greater than the significance level of 0.05. Therefore, H_0 is accepted and H_1 is rejected, meaning that the Government Expenditure ($X1$) variable does not have a significant effect on Employment Opportunities ($Y2$) in Bone Regency.

The effect of the Investment ($X2$) variable on Employment Opportunities ($Y2$) yields a path coefficient of 0.848; this value indicates that if Investment ($X2$) increases by one unit, Employment Opportunities ($Y2$) will also increase by 0.848 units, assuming all other variables remain constant. The calculated t-value of 3.001 is greater than the critical t-value of 2.228, and the p-value of 0.002 is less than the significance level of 0.05. Therefore, H0 is rejected and Ha is accepted, meaning that an increase in Investment ($X2$) has a positive and significant effect on Employment Opportunities ($Y2$) in Bone Regency.

The effect of the Income Inequality ($X3$) variable on Employment Opportunities ($Y2$) yields a path coefficient of -0.848; which indicates that if Income Inequality ($X3$) increases by one unit, Employment Opportunities ($Y2$) will decrease by -0.848 units, assuming all other variables remain constant; the reverse is also true. The calculated t-value of -2.797 is greater than the critical t-value of 2.228, and the p-value of 0.002 is less than the significance level of 0.050. Therefore, H0 is rejected and Ha is accepted, meaning that Income Inequality ($X3$) has a negative and significant effect on

Employment Opportunities ($Y2$) in Bone Regency.

The effect of the Economic Growth ($Y1$) variable on Employment Opportunities ($Y2$) yields a path coefficient of 1.635. This value indicates that if Economic Growth ($Y1$) increases by one unit, Employment Opportunities ($Y2$) will also increase by 1.635 units, assuming all other variables remain constant. The calculated t-value of 0.485 is smaller than the critical t-value of 2.228, and the significance value of 0.639 is greater than the alpha value of 0.050. Thus, H0 is accepted and Ha is rejected, meaning that Economic Growth ($Y1$) has a negative but insignificant effect on Employment Opportunities ($Y2$) in Bone Regency..

a. ***The Indirect Effects of Government Spending, Investment, and Income Inequality on Economic Growth and Employment Opportunities***

The effects of each independent variable namely, government spending, investment, and income inequality on employment opportunities through economic growth in Bone Regency are shown in the following table:

Table 6: Direct Effects, Indirect Effects, and Total Effects Research Variables

Research Variables	Research Variables	Research Variables	Research Variables	Research Variables
X1 → Y1→ Y2	1.154	1.887	3.041	Significant
X2 → Y1→ Y2	0.478	0.782	1.260	Significant
X3 → Y1→ Y2	-0.848	-1.386	-2.234	Significant

Source: Data compiled

Based on the data in Table 6 above, a path model can be constructed to examine the relationship or influence of exogenous variables on endogenous variables, either directly or through intervening variables, as shown in the figure below:

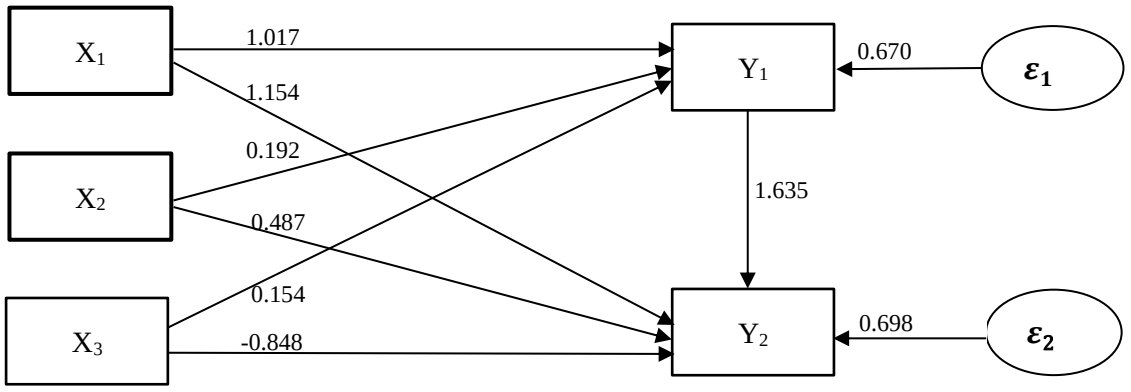


Figure 1: Path Framework Model

b. The Effect of Government Spending on Employment Opportunities Through Economic Growth.

The data in Table 6 above show that the direct effect of Government Expenditures (X1) on Employment Opportunities (Y2) is 0.154, while the indirect effect of Government Expenditures (X1) on Employment Opportunities (Y2) through Economic Growth (Y1) has a coefficient value of 1.154 × 1.635 = 1.887. This value indicates that the coefficient of the indirect effect of the Economic Growth (X1) variable on Labor Absorption (Y2) through Economic Growth (Y1) is greater than the coefficient of the direct effect of Government Expenditures (X1) on Employment Opportunities (Y2). Thus, Government Expenditures (X1) have a significant indirect effect on Employment Opportunities (Y2) through Economic Growth (Y1) in Bone Regency from 2006 to 2022.

c. ***The Effect of Investment on Employment Opportunities Through Economic Growth.***

The data in Table 6 above show that the direct effect of Investment (X2) on Employment Opportunities (Y2) is 0.478, while the indirect effect of the Investment variable (X2) on Employment Opportunities (Y2) through Economic Growth (Y1) has a coefficient value of 0.478 × 1.635 = 0.782. This indicates that the coefficient value for the indirect effect of the Investment variable (X2) on Labor Absorption (Y2) through Economic Growth (Y1) is greater than the coefficient value for the direct effect of the Investment variable (X2) on Employment Opportunities (Y2). Thus, the Investment variable (X2) has a significant indirect effect on Employment Opportunities (Y2) through Economic Growth (Y1) in Bone Regency from 2006 to 2022..

d. ***The Effect of Income Inequality on Employment Opportunities Through Economic Growth.***

Based on the data in Table 6 above, the direct effect of Income Inequality (X3) on Employment Opportunities (Y2) has a coefficient of 0.267, while the indirect effect of the Income Inequality (X3) variable on Employment Opportunities (Y2) through Economic Growth (Y1) has a coefficient of -0.848 × 1.635 = -1.386. This indicates that the coefficient value for the indirect effect of the Investment variable (X2) on Labor Absorption (Y2) through Economic Growth (Y1) is greater than the coefficient value for the direct effect of Investment (X2) on Employment Opportunities (Y2). Thus, the Income Inequality variable (X3) indirectly has a significant effect on Employment Opportunities (Y2) through Economic Growth (Y1) in Bone Regency from 2006 to 2022..

E CONCLUSION

Based on the results of an empirical analysis of the effects of government spending, investment, and income inequality on economic growth and employment opportunities in Bone Regency, the following conclusions can be drawn: This study shows that government spending and investment play a significant role in driving economic growth while also increasing employment opportunities in Bone Regency. Increased government spending and investment activity have been shown to expand economic activity, thereby positively impacting regional output and labor absorption. Conversely, income inequality does not have a significant effect on economic growth but has a significant negative effect on employment opportunities, indicating that the higher the income inequality, the lower the regional economy's ability to create jobs.

This study also found that economic growth has not had a significant impact on employment opportunities. These findings indicate that economic growth in Bone Regency during the study period has not been fully inclusive, meaning that the increase in economic output has not been accompanied by a meaningful increase in employment opportunities. Furthermore, the analysis results show that government spending, investment, and income inequality have an indirect effect on employment opportunities through economic growth, indicating that the dynamics of economic growth also play a role in explaining the relationships among the variables studied.

Overall, this study provides empirical evidence that efforts to increase employment opportunities are not sufficient if they rely solely on increased government spending and investment; they also require policies capable of improving the quality of economic growth to make it more inclusive and enhance income equality. Therefore, local governments need to direct fiscal policy toward more productive spending, encourage investment focused on job creation, and strengthen programs to reduce inequality so that the benefits of economic growth can be felt more evenly by the public..

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