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The Influence of Government Investment, Private Investment, Human Capital, and Social Capital on the Public Welfare through Economic Growth In East Java Province

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ABSTRACT : *The role of the government in issuing fiscal policies is considered as one of the solutions to improve the public welfare, both directly and indirectly through macroeconomic indicators such as economic growth, open employment opportunities, and job opportunities. Regional development policies through the Regional Revenue and Expenditure Budget, is constitute a real opportunity for local governments to utilize their authority in developing development capacity and regional economies so as to improve public welfare. The research variables consisted of government investment (X1), private investment (X2), human capital (X3), social capital (X4), economic growth (Z), and public welfare (Y). Analysis of the influence between variables is based on data from 14 districts / cities in East Java Province, period 2015-2017. The hypothesis is tested using the Partial Least Square (PLS). The results of hypothesis testing indicate that government investment, human capital, and social capital have a positive effect on public welfare, while private investment does not affect the public welfare. Private investment does not affect the public welfare, indicating that the greater the private investment is not able to give a large impact on improving the public welfare, because private investment prioritizes profits from capital that has been spent (profit motive). The results of hypothesis testing also indicate economic growth has an effect on the public welfare, the higher the economic growth, the public welfare will also increase.*

KEYWORDS -*economic growth,government investment, human capital,private investment, public welfare, social capital.*

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I. INTRODUCTION

Economic development is defined as a change that occurs continuously through a series of process combinations, in order to achieve something better, namely an increase in per capita income that continues in the long term. The purpose of economic development is to increase real national income, also to increase productivity (Bawuno et al., 2015). Economic development is a process that causes an increase in the real income per capita of a country's population in the long run accompanied by improvements in the institutional system. Economic development also needs to be seen as a process of increase in per capita income, because the increase reflects additional income and an improvement in the public economic welfare (Arsyad, 2010: 11-12). Indicators that can be used to see the success of development in an area, one of which is by increasing economic growth.

According to data from the BPS, gross domestic product (GDP or Indonesia's economic growth in 2021 reached 5.07 percent). This figure is the highest economic growth rate since 2014.According to the Head of BPS, the economic growth rate in 2021 was lower than the target set at 5.2 percent. The Head of BPS added that the source of Indonesia's economic growth in 2021 was the processing industry, which was 0.91 percent, then the construction sector was 0.67 percent, trade was 0.59 percent, and agriculture was 0.49 percent (Setiawan, 2018). Based on the growth theory of Harrod-Domar (Jhingan, 2013: 229), investment has a key role in economic growth, namely creating income and enlarging economic production capacity by increasing capital stock.

Capital in the broad sense according to World Bank (2001) in Abbas (2010), includes physical capital, human capital, and natural capital. These three capital are important factors that influence economic growth. Economic growth achieved is highly dependent on increasing capital formation in a broad sense, physical capital, human capital, and natural capital.

The formation of human capital is a process of obtaining and increasing the number of people who have expertise, education, and a decisive experience for economic and political development in a country. The formation of human capital is associated with investment in humans and its development as a creative and productive source (Jhingan, 2013). One of the human capital that can increase the value of production in the economy is education. Workers who have high education and skills tend to have higher incomes than workers with low education and skills. Higher education also provides a tendency for low unemployment rates. Individual workers with higher education have a greater chance of gaining higher income (Affandi and Zulham, 2017). The relationship between human capital and income is proven by Affandi and Zulham (2017), human capital can be measured through the education budget, which can have a positive effect on regional gross domestic product.

Social capital is the most important resource in people's lives, because this capital is a form of relationship to the outside world, both formal and informal to solve various problems that exist in society, including problems of food needs. Social capital is also a form of social and economic networks in society that occur between individuals and groups in the form of mutual benefits (Suandi, 2014).

Putnam in his theory of social capital says that social capital is productive, allows the achievement of certain goals, which without its contribution, goals will not be achieved. This is in line with Simmel's statement which says that modern humans have made money as the main goal, so it can be concluded that social capital is used as one of the capital for businesses to get greater economic benefits.

The relationship between Economic Growth and Public Welfare is that if economic growth is good then the income level of the community will also increase, so that the increase in income will make the community able to meet their needs better, this shows that public welfare begins to increase, if community income increases and unemployment reduced, the crime will automatically decrease, the demonstration due to government policy dissatisfaction will also decrease.

Regional development policies outlined in regional financial policies through APBD constitute a real opportunity for regional governments to utilize their authority in developing regional development and economy so as to improve the public welfare. The APBD policy is an illustration of the seriousness of the regional government in improving public services to improve the pubic welfare. In the aspect of regional expenditure, expenditure policies must have a large dual effect on the economic activities of the community, through programs funded.

If observed from year to year, the allocation of capital expenditure in the district / city APBD in East Java Province, during the period 2015-2017, varies from one region to another. These changes are related to regional development policies that are applied to each region. Development of allocation of capital expenditure and expenditure of district / city governments in East Java Province, during the period 2015-2017. Shows fluctuations such as the Kotawaringin regency east of 2015 capital expenditure of Rp.427,130,499,630 and in 2017 decreased to Rp.256,085,596,304.00. In contrast to the average total regional expenditure which has increased every year, namely in 2015 amounting to Rp.1,501,156,061,790 increased to Rp 1,631,408,233,080.00 in 2017.

This fact shows that the average allocation of capital expenditure for regencies / cities in East Java Province has decreased from total regional expenditure. This condition shows that government spending is still dominated by routine expenditure (employee expenditure). Even though the proportion of capital expenditure is relatively small and has a tendency to decline from year to year to total regional expenditure, because the allocation is greater for routine personnel expenditure to finance the wheels of government, it is hoped that the allocation of capital expenditure can still fund local government programs that can increase the wheel of the economy so that it has an impact on increasing regional economic growth.

If we observe the economic development of regencies / cities in East Java Province during the 2017-2019 period, the average economic growth shows an increasing trend from 2017 to 2019. The development of the average economic growth of regencies / cities in East Java Province during the 2017 period - 2019 can be seen in Table 1.2.

Table 1.2.GDRP Growth Rate by Regency/City East JavaProvince,2018-2021

No.	Regency/City	2018	2019	2020	2021
1.	Sidoarjo Regency	6,90	7,32	5,85	6,88
2.	Surabaya City	7,37	7,66	7,93	7,99
3.	Malang City	7,00	7,27	7,29	7,62
4.	Situbondo Regency	5,31	5,54	5,62	5,84
5.	Pacitan Regency	4,20	5,29	5,48	6,01
6.	Mojokerjto Regency	6,05	6,01	6,18	6,27

7.	Mojokerto City	6,98	6,76	6,70	6,68
8.	Tulungagung Regency	5,31	5,17	5,02	5,15
9.	Blitar Regency	6,55	6,53	6,54	6,56
10.	Madiun City	7,23	7,71	6,06	5,86
11.	Madiun Regency	6,41	6,96	7,00	6,93
12.	Lumajang Regency	5,25	5,25	5,16	5,50
13.	Trenggalek Regency	5,85	6,88	5,71	5,82
14.	Malang Regency	6,96	7,19	6,92	6,96

In fact, the economic growth rate of regencies / cities in East Java Province during the 2018-2021 period showed fluctuating growth, but on average experienced an increase. In 2018 the regency / cityeconomic growth rate in East Java Province was 6.24 percent, increasing to 6.54 percent in 2019, anddecreasing again to 6.25 in 2020, and in 2021 increasing to 6, 43 percent. So that the average economic growthofregencies/citiesin East JavaProvincefor fouryearsis6.37percent.

Lookingattheeconomicgrowthperformanceoftheregencies/citiesinEast JavaProvince,it is expected to have a positive impact on improving the level of welfare of the local people, both directly andindirectly through the opening of employment and business opportunities for the community, so as to improvethepublicwelfare inthe area.

II. LITERATURE REVIEW

2.1 Development Economic Theory

Everyone can interpret the terms of development differently according to their own tastes, so that thedefinition of economic development is also many and different (Todaro and Smith, 2006: 19). Thecomplexityof development causesno singledevelopmenttheory tobe applied to a country. Theexisting developmenttheory is very dominated by western economists. Since the birth of Adam Smith's growth theory, growth theoryhas continued to develop until the emergence of new theories such as the New Economic Geographic theory andNewGrowthTheory(Kuncoro, 2006:45-72).

The development process is basically not just an economic phenomenon. Development is not onlyshown by the achievements of economic growth achieved by a country, but more than that, development has abroadperspective.Thesocialdimensionwhichisoftenoverlookedintheapproachofeconomicgrowth, actuallygetsastrategicplaceforthedevelopmentprocess.Inthedevelopmentprocess,inadditiontoconsidering aspects of growth and equity, it also considers the impact of economic activities on the social life ofthe community. More than that, in the development process efforts are made that aim to change the structure oftheeconomyinabetterdirection. (Kuncoro, 2003:45).

Implementation of development canhaveapositiveornegativeimpact.Tomeasurethelevelofsuccessofdevelopment,indicatorsareneededasameasureofsuccess.Kuncoro(2006:18)statesthatdevelopmentindicatorsgenerallyconsistof(a) economic indicators;(b) social indicators.

Kuncoro (2006: 18) states that the development dimensions and development focus of each region canvary,so economicdevelopment can be interpreted as economic progress or an increasein economicwelfare.The increase in real income per capita is only a part of the indicators of economic welfare, because economicprosperity contains values about the desired level of income distribution. Furthermore, Kuncoro (2006: l8) addsthat economic indicators of development consist of: (a) per capita GNI (Gross National Income); (b) the rate ofeconomicgrowth;(c)Grossdomesticincome per capita in PurchasingPowerParity(PPP).

Social indicators are also one indicator to measure the level of success of a country's or regionaldevelopment. Koncoro (2006: l8) states that those that are included in social indicators in development are:(a)HumanDevelopmentIndex(HDI)and(b)Physical Quality Life Index(PQLI).

Economically,humanresourcesareoneofthefactorsofproduction,namelyasworkerswhoseproductivity must be increased, while humans in HDI are more intended as development goals oriented towardsimproving human welfare. In line with this, Todaro (1995: 65) provides 3 notes on HDI, namely: (a) theformation of HDI partly driven by political strategies designed for health and education development; (b) thethreeindicators aregoodindicators butnot ideal; (c)thevalueofHDIin acountry may not beprofitablebecauseitshiftsthefocusfromthe problemofinequalityinthe country.

2.2 EconomicGrowthTheory

Boediono (in Tarigan 2006: 46) states that economic growth is the process of increasing output percapita in the long run. The percentage increase in outputmust be higher than the percentage increase inpopulation and there is

a tendency in the long term that growth will continue. Sjahrir (in Kuncoro, 2006: 11)states thatgrowth is notsynonymouswith development. High economicgrowth fordeveloping countriesexceeds at least developed countries at their development stage, but is accompanied by other problems such asunemployment,poverty,unequal incomedistribution, and structural imbalances.

AccordingtoTarigan(2006:46),regionaleconomicgrowthistheincreaseinincomeofthecommunity as awholewithin the region. The income increase of the community in question includes anincrease in added value, and calculation of regional income made at current prices. Furthermore Arsyad (2005:l39) argues that regional economic growth is measured by analyzing changes in aggregate work in a sectorialmanner comparedto changesinthesamesector inthe economyasareference.

Basedonthedescriptionabove,itcanbeconcludedthateconomicgrowthisaprocessofincreasingper capita income in a country in the long run. The increase in per capita income was followed by an increase inoutput which was higher than the percentage increase in population. Furthermore, regional economic growth isthe income increase of the community as a whole and can be measured by analyzing changes in aggregate workin a sectorial manner. This goal can be realized by a combination of strategies such as increasing employmentopportunities through investment in human capital, attention to small farmers, the informal sector and smalleconomicentrepreneurs.

2.3 Government andPrivateInvestment

Development experts have long argued that investment has an impact on the growth of per capitaincome. This implies that aninvestmentwill have an impact on developmentwhichwill be determinedbywhich sectors or fields in the investment are carried out, and their respective portions in the overall investmentnationally.Seeingitsexistence,investmentcanbedividedintotwo,namely:PrivateInvestmentandGovernment Investment. In terms of objectives, these two types of investments have different objectives. Privateinvestmentin generalisprofitoriented and governmentinvestmentisgenerallysocialoriented.

Government investment is investment made by the government (both the central government and localgovernment) in the context of providing public goods to serve and create prosperity for the people and does notaim to make a profit, while private investment is an investment made by the private sector that prioritizes profitfromthe capitalthathasbeenspent(Setyopurwanto, 2013).

Thecapitalneededtomeetinvestmentneedscanbeobtainedthroughthefollowingpolicies:(1) Encouragingincreasedprivatesectorvoluntarysavings,(2) Fiscalpolicybyincreasingtaxrevenues,(3) Foreign financial policy, through the use of foreign aid, and (4) Deficit budget policy.If domestic capital doesnotadequatelymeetinvestmentneeds,foreigncapitalcanbeused.ForIndonesia,foreigncapitalisa complement to domestic capital. Foreign capital may operate in Indonesia on projects that cannot be financedand carriedoutbydomestic capital.

2.4 HumanCapital

Humans are the most important factors that influence development, so Theodore W. Schultz pioneeredthat human resources are calculated as a separate capital in economics. Schultz in Setyopurwanto (2013) has theopinion that investment in human resources is able to improve the quality of these resources to be moreproductive, sothat itwillcreate increasedwelfare.

Basedonthedescription,itcanbesaidthathumancapitalishumanresourcesthatcanmastertechnology. The ability to master technology is called the quality of human resources from non-physical aspects,while human capital concerning aspects of quantity is related to the amount of human resources themselves orthe population. In addition, to improve the quality of physical human resources, it can be done through healthandnutrition programs,whileforimproving thequality of non-physicalhuman resources,it can bedonethrougheducationandtraining.

2.5 SocialCapital

Bourdieu (1986) defines social capital as a resource that belongs to a person or group of people byutilizing networks, or institutional relationships that recognize each other among members involved in it. Fromthisdefinitiontherearetwothingsthatneedattentioninunderstandingsocialcapital,namely:first,theresources a person has are related to membership in groups and social networks. The amount of social capital aperson has depends on the ability of the person to mobilize relationships and networks in groups or with otherpeopleoutsidethegroup.Second,thequalityofrelationshipsbetweenactorsismoreimportantthanrelationships in groups (Bourdieu 1986). Bourdieu sees that social networks are not natural, but are formedthrough investment strategies that are oriented towards institutionalizing group relations that can be used as asourceofprofit.

Basedonthedescriptionabove,itcanbesaidthatsocialcapitalinthephysicalsenseincludesperceptions of access to services including: employment, income, education, housing, health, transportation andsocialsecurity.Socialcapitalfromtheaspectofvalueincludesreligious,moralandprofessionalcode.Furthermore,social capitalfromtheeconomicaspectcanbeintheformofgoodsorobjectsthatareinvested.

2.6 PublicWelfare

Welfare economics is one branch of normative economics. The subject matter of welfare economics isrelated to the question of what is badand what is good. The field of study is very different from the field ofstudy of the branch of positive economics. Such as labor economics, economic history, international trade,monetaryandmacroeconomic.Everypositiveeconomicstriestoexplainvariousempiricalphenomena(Feldman: 2008).

Based on this understanding, it can be concluded that welfare economics discusses how ultimatelyeconomic activity can run optimally. The welfare economy in the language will also think about the principle ofjustice for all levels of society. This study directs economic activities that will have a positive impact oneconomic actors. In a broader sense, the discussion in welfare economics is a discussion that cannot be separatedfromthe contextofsocialscience. Based on the theoretical study that has been described,we formulate a conceptual framework as shown inFigure2.1.

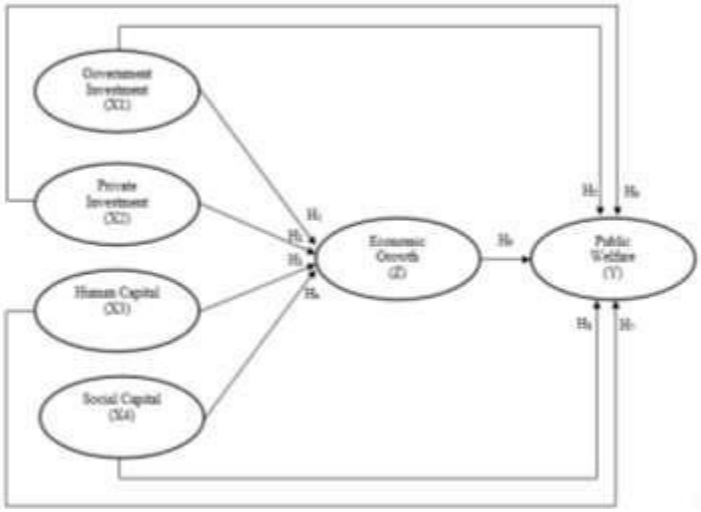

Figure1.2 ConceptualFramework

The conceptual framework is created to describe the relationship between research variables based ontheoretical studies and empirical studies that have been described previously, namely regarding the influence ofgovernment investment, private investment, human capital and social capital on the welfare of society througheconomicgrowth.

2.7 ResearchHypothesis

Based on the theoretical studyand conceptual framework, as shown in Figure 2.1, we propose nine hypotheses asfollows:

1. Governmentinvestmentinfluenceseconomicgrowthinthe District/CityofEast JavaProvince.
2. Privateinvestmentinfluences economicgrowthintheDistrict/CityofEast JavaProvince.
3. HumanCapitalinfluenceseconomic growthintheDistrict/ CityofEast JavaProvince.
4. SocialCapitalinfluenceseconomicgrowthintheDistrict/Cityof East JavaProvince.
5. Governmentinvestmentinfluencesthepublic welfareintheDistrict/CityofEast JavaProvince.
6. Privateinvestmentinfluences thepublic welfareintheDistrict/CityofEast JavaProvince.
7. HumanCapitalinfluencesthepublicwelfareintheDistrict/CityofEast JavaProvince.
8. SocialCapitalinfluencesthepublic welfareintheDistrict/CityofEast JavaProvince.
9. EconomicgrowthinfluencesthepublicwelfareintheDistrict/CityofEast JavaProvince.

III. RESEARCHMETHODOLOGY

The population in this study were all districts / cities in East Java province, which numbered14 regions. All districts / cities that are members of the population are used as research samples. Thus thenumber of samples is 14 regions as well.Data analyzed using secondary data, which was obtained from theCentral Statistics Agency of East Java Province.The secondary data analyzed is panel data from 14districts/citiesinthe period2015-2017, so that the number is42observationdata.

The data analysis method collected was analyzed statistically using Structural Equation Model

(SEM)analysiswithconceptsand applications using AnalysisofMomentStrucues(AMOS)programversion21.

IV. RESULTS AND DISCUSSION

Descriptive statistics are used to describe the data on each research variable. The purpose of thedescriptive analysis in this study is to describe research data, including variables of government investment,private investment, human capital, social capital, economic growth, and public welfare. Data on each variablewillbedescribed with several statistics,namelytheminimum,maximum,and averagevalues.

The evaluation results of the outer model in stagethree step. First, based on the convergent validitytest, discriminant validity test, and composite reliability test, showed that there were five indicators that wereinvalid so they also had an impact on the low level of variable reliability. The five invalid indicators are X3.1,X3.2, X3.7, X4.5, and Y.2. Thus the five indicators are then excluded from the model, and then the model is re-analyzed(stage II)withoutincludingthefiveinvalidindicators.Second,theevaluationresultsoftheoutermodelin stage II based on the convergent validity test, discriminant validity test, and composite reliability test, showedthat there was still one indicator that was invalid so it also had an impact on the low level of variable reliability.The invalid indicator is X3.6, and then the indicator is removed from the model, and then the model is re-analyzed (stage III) without including the invalid indicator.Third, evaluation of the outer model in stage III wasalsoconductedtodeterminethevalidityandreliabilityoftheindicatorsandconstructsused.Validity ismeasured through convergent validity and discriminant validity, while reliability is measured through compositereliability.

Convergent validity in PLS with reflective indicators is assessed based on the outer loading. The rule ofthumb used for convergent validity is outer loading> 0.50 and average variance extracted (AVE)> 0.50 (Chin,1995 in Jogiyanto and Abdillah, 2014: 60). Indicators said to be valid can also be assessed from the value of T-statistics,providedthattheT-statisticsvalueismorethan1.96,theindicatorissaidtobevalid.Table 4.1 presents the value of outer loading in third step for each indicator in the variables of governmentinvestment,privateinvestment,humancapital,socialcapital,economicgrowth,andpublicwelfare.

Table4.1 OuterLoadingValue(StepIII)

Variables	Indicator	OuterLoading	T-Statistics	Note
GovernmentInvestment(X1)	X1.1	0,886	19,851	Valid
	X1.2	0,697	6,656	Valid
PrivateInvestment(X2)	X2.1	0,862	21,655	Valid
	X2.2	0,982	177,714	Valid
HumanCapital(X3)	X3.3	0,615	4,770	Valid
	X3.4	0,856	13,626	Valid
	X3.5	0,928	38,768	Valid
SocialCapital(X4)	X4.1	0,817	28,470	Valid
	X4.2	0,816	12,708	Valid
	X4.3	0,537	3,549	Valid
	X4.4	0,807	12,809	Valid
EconomicGrowth(Z)	Z.1	0,945	73,460	Valid
	Z.2	0,958	111,628	Valid
PublicWelfare(Y)	Y.1	0,802	14,015	Valid
	Y.3	0,845	21,527	Valid

Based on the evaluation of convergent validity in third step, it is known that all indicators in theresearch variable already have an outer loading value greater than 0.50 and the T-statistics value is greater than1.96,sothatallindicatorsareconcludedtobevalidinmeasuringeachresearchvariableandfulfillingconvergentvalidity sothatitcanbe used for furtheranalysis.

In addition to using outer loading and the value of T-statistics, testing for convergent validity can alsobe done by looking at the value of Average Variance Extracted (AVE). The AVE value for each governmentinvestment construct, private investment, human capital, social capital, economic growth, and public welfare arepresented inTable 4.2.

Table4.2 AVE in Outer Model Step III

Variables	AVE
GovernmentInvestment(X1)	0,636
PrivateInvestment (X2)	0,853
HumanCapital(X3)	0,657
SocialCapital(X4)	0,568
EconomicGrowth(Z)	0,905
PublicWelfare(Y)	0,679

Based on the AVE value, all latent constructs / variables already have AVE values above 0.50, so theindicators in all constructs are concludedto be validin measuring latentvariables andqualify convergentvalidityrequirements.

Discriminantvalidity is seenbasedon thecross loadingvalueforeach indicatorintheconstructformed. An indicator is said to fulfill discriminant validity if the indicator has a greater cross loading value onthe construct formed, compared to other constructs. The results of testing discriminant validity through crossloadingcalculationsare presentedinTable 4.3.

Table4.3 CrossLoading ValueinOuterModelStepIII

Indicator	Government Investment (X1)	Private Investment (X2)	Human Capital(X3)	Social Capital (X4)	Economic Growth(Z)	PublicWelfare (Y)	Note
X1.1	**0,886**	0,164	0,099	0,135	0,244	0,316	Valid
X1.2	**0,697**	0,227	-0,206	0,137	0,364	-0,002	Valid
X2.1	0,072	**0,862**	0,013	0,569	0,306	0,035	Valid
X2.2	0,277	**0,982**	0,191	0,508	0,512	0,392	Valid
X3.3	0,128	0,261	**0,615**	-0,254	0,081	0,152	Valid
X3.4	-0,109	-0,008	**0,856**	0,031	0,213	0,397	Valid
X3.5	0,012	0,219	**0,928**	-0,025	0,272	0,280	Valid
X4.1	0,255	0,496	-0,059	**0,817**	0,548	0,202	Valid
X4.2	-0,006	0,458	0,040	**0,816**	0,175	0,394	Valid
X4.3	0,067	0,411	-0,380	**0,537**	0,052	-0,110	Valid
X4.4	0,114	0,385	-0,135	**0,807**	0,307	0,190	Valid
Z.1	0,384	0,412	0,242	0,328	**0,945**	0,376	Valid
Z.2	0,304	0,497	0,241	0,527	**0,958**	0,406	Valid
Y.1	0,285	0,046	0,368	0,166	0,419	**0,802**	Valid
Y.3	0,112	0,443	0,244	0,366	0,268	**0,845**	Valid

Based on Table 4.3. it is known that all indicators have a cross loading value that is generally high inthe variables formed and low on other variables, so it is concluded that all indicators are valid in forming theconstruct.

Anothermethod that can be used to determine discriminant validity is to compare thevalues of theroots of average variance extracted (AVE) on each variable with a correlation value that involves these variableswith other variables in the model. If the value of the root AVE is greater than the value of the correlations thatoccur, then the variable can be said to be variable fulfilling discriminant validity. Next is discriminant validitytesting usingtheAVErootcomparison withcorrelationvaluesbetweenvariable.

Table4.4. DiscriminantValidity withAVERoot(OuterModel StepIII

Variables	AVE Root	Correlation						
			X1	X2	X3	X4	Z	Y
GovernmentInvestment(X1)	0,797	X1	1					
PrivateInvestment(X2)	0,924	X2	0,233	1				
HumanCapital(X3)	0,811	X3	-0,026	0,150	1			
SocialCapital(X4)	0,754	4	0,167	0,553	-0,046	1		
EconomicGrowth(Z)	0,951	Z	0,358	0,481	0,254	0,456	1	
PublicWelfare(Y)	0,824	Y	0,235	0,310	0,367	0,329	0,412	1

Table4.4showsallvariableshaveagreaterAVErootvalueifthevalueiscomparedwiththecorrelationvaluebetweenvariables,soitcanbeconcludedthatallvariableshave good discriminantvalidity.
Reliability testing in PLS can use two methods, namely cronbach's alpha and composite reliability.Cronbach's alpha measures the lower limit of reliability values while composite reliability measures the truevalue of the reliability of a construct (Chin and Gopal, 1995 in Salisbury, et al., 2002). Composite reliability isconsidered better in estimating the internal consistency of a construct (Werts et al., 1974 in Salisbury et al.,2002). The rule of thumb, cronbach alpha and composite reliability values must be greater than 0.70, eventhoughthevalueof0.60 isstillacceptable(Hair et al.,2010inJogiyanto andAbdillah, 2014:62).
ThefollowingaretheresultsofthecalculationofCronbachalphaandcompositereliabilityinevaluating the outer model of the variables of government investment, private investment, human capital, socialcapital,economic growth, andpublicwelfare.

Table 4.5CompositeReliabilityStepIII

Variables	CompositeReliability	CronbachsAlpha	Note
GovernmentInvestment(X1)	0,775	0,644	Reliable
PrivateInvestment(X2)	0,920	0,856	Reliable
HumanCapital(X3)	0,848	0,728	Reliable
SocialCapital(X4)	0,837	0,750	Reliable
EconomicGrowth(Z)	0,950	0,788	Reliable
PublicWelfare(Y)	0,809	0,896	Reliable

Based on Table 4.5, it can be seen that all variables have composite reliability and cronbach alphavalues greaterthan 0.70, so itisconcludedthatallvariables arereliable /reliable,andthereare1 variable below
0.70 but still above 0.60, and according to Hair et theory al. in Jogiyanto and Abdillah (2014: 62) this conditionisstillacceptable.
The evaluation results of the outer model in stage III are based on convergent validity, discriminantvalidity, and composite reliability testing, showing all valid indicators so that they also have an impact on thelevel of reliability of the variables that can be accepted, so it is concluded evaluation of the outer model isenoughinstage III and thenthe innermodel isevaluated.

InnerModelEvaluation
The inner model in PLS is evaluated using R-square for the dependent construct, and the value of thepath coefficient or t-value (t-statistics) for the test of significance between constructs. The higher the R-squarevalue means the better the prediction of the proposed model. The score for the path or inner model coefficientindicated by the value of t-statistics must be above 1.96 for testing hypotheses on alpha (level of research error)of5%(JogiyantoandAbdillah, 2014:63).

R-square

Basedondataprocessingwith PLS,thedeterminationcoefficient(R-square)isgenerated asfollows:

Table4.6.R-square

Variables	RSquare
GovernmentInvestment(X1)	-
PrivateInvestment(X2)	-
HumanCapital(X3)	-
SocialCapital(X4)	-
EconomicGrowth(Z)	0,307
PublicWelfare(Y)	0,398

The goodness of fit in the PLS model can be known from the value of R2. The higherR2, themodelcan be said to be more fit with the data. The R-square value of the economic growth variable is 0.307, whichmeans that the influence of government investment, private investment, human capital, and social capital oneconomic growth is 30.7%. While the R-square value in the variable public welfare is 0.398, which means themagnitude of the influence of government investment, private investment, human capital, social capital, andeconomicgrowthonthewelfare ofsocietyis39.8%.

In the PLS model, the assessment of goodness of fit is known from the value of Q^2. The value of Q^2 hasthe same meaning as the coefficient of determination (R-Square) in the regression analysis, where the higher theR-Square, the model can be said to be more fit with the data. From Table 4.6 the Q^2 value can be calculated asfollows:

$$Q^2=1 – (1 –0,307)x(1–0,398) =0,583$$

From the calculation results, it is known that the Q2 value is 0.583, meaning that the magnitude of thediversity of the data that can be explained by the structural model developed in this study is 58.3%. Based ontheseresults, the structuralmodel inthestudyhasagood fit.

Effect Coefficients

The strength of influence between variables (constructs) can be analyzed through coefficients on all paths. Thefollowingaretheresultsoftheestimated coefficientofinfluencebetween variablesusingPLS:

Table4.7CoefficientValue

Effectbetweenvariables		Original Sample (O)
GovernmentInvestment(X1)	→EconomicGrowth(Z)	0,264
PrivateInvestment(X2)	→EconomicGrowth(Z)	0,214
HumanCapital(X3)	→EconomicGrowth(Z)	0,242
SocialCapital(X4)	→EconomicGrowth(Z)	0,305
GovernmentInvestment(X1)	→PublicWelfare(Y)	0,143
PrivateInvestment(X2)	→PublicWelfare(Y)	0,018
HumanCapital(X3)	→PublicWelfare(Y)	0,339
SocialCapital(X4)	→PublicWelfare(Y)	0,240
EconomicGrowth(Z)	→PublicWelfare(Y)	0,156

Explanations:

1. The variable that most influences economic growth is social capital because it has the largest coefficient ofinfluence, which is equal to 0.305. Next is government investment (0.264), human capital (0.242), andprivateinvestment(0.214).
2. The variable that most influences the welfare of society is human capital because it has the greatestcoefficient of influence, which is equal to 0.339. Next are social capital (0.240), economic growth (0.156),governmentinvestment(0.143), and private investment(0.018).

HypothesisTestingResults

Basedontheresultsoftheanalysisoftheeffectcoefficientbetweenvariables,thenextstepistotestthe hypothesis by using t-statistical values.Parameters of whether or not there are partial effects can be knownfrom the value of t-statistics, with the provision that through the ratio t-statistics> 1.96 then there is the influenceof exogenous variables on endogenous variables or endogenous variables on endogenous variables. Conversely,if t-statistics is <1.96, there is no influence of exogenous variables on endogenous variables or endogenousvariables on endogenousvariables.Considering thesecriteria,inTable4.8arepresentedtheresults of T-HypothesisTestingwithInnerWeight.

Table4.8 HypothesisTestingwithInnerWeight

Hyp.	Effectbetweenvariables			Coef.	T-stat.	Note
H_1	GovernmentInvestment(X1)	→	EconomicGrowth(Z)	0,264	3,859	Significant
H_2	PrivateInvestment(X2)	→	EconomicGrowth(Z)	0,214	2,808	Significant
H_3	HumanCapital(X3)	→	EconomicGrowth(Z)	0,242	3,756	Significant
H_4	SocialCapital(X4)	→	EconomicGrowth(Z)	0,305	5,362	Significant
H_5	GovernmentInvestment(X1)	→	PublicWelfare(Y)	0,143	2,158	Significant
H_6	PrivateInvestment(X2)	→	PublicWelfare(Y)	0,018	0,204	Notsignificant
H_7	HumanCapital(X3)	→	PublicWelfare(Y)	0,339	6,888	Significant
H_8	SocialCapital(X4)	→	PublicWelfare(Y)	0,240	2,127	Significant
H_9	EconomicGrowth(Z)	→	PublicWelfare(Y)	0,156	2,407	Significant

Based on Table 4.8 it appears that out of 9 hypotheses there are 8 significant hypotheses and 1hypothesis is not significant. The insignificant hypothesis is the effect of government investment on people'swelfare.

V. CONCLUSIONANDRECOMMENDATION

Based on the results of data analysis and discussion that has been described previously, it can beconcluded: (1)government investment has a significant effect on economic growth in regencies / cities in East Java province, (2)private investment has a significant effect on economic growth in regencies / cities inEast Java province, (3)human capital has a significant effect on economic growth in regencies / citiesin East Java province, (4)social capital has a significant effect on economic growth in regencies/ citiesin East Java, (5)government investment has a significant effect on the public welfare in regencies /cities in East Java province, (6)private investment has no significant effect on the public welfare inregencies / cities in East Java province, (7)human capital has a significant effect on the public welfarein regencies / cities in East Java province, (8)social capital has a significant effect on the publicwelfare in regencies / cities in East Java province, and (9)economic growth has a significant effect onthepublicwelfare inregencies/citiesinEast Java province.

Based on the results of data analysis and discussion, recommendations are proposed as follows: (1) theregional government of East Java should prioritize policies on the development of human capital andsocialcapitaltofurtherenhanceeconomicgrowthandprosperityofthepeopletoincreaseregionalcompetitiveness,(2)each regionhasadvantagesandhasweaknesses,thereforelocalgovernmentsshouldunderstand in depth the location of the advantages of their regions to be further developed and weaknesses to beovercomewithappropriatedevelopmentpoliciesandstrategies,and(3)forfurtherresearchersitisrecommended to examine the influence of government policy variables that have not been accommodated in thisstudy, as well as the use of primary data in addition to secondary data for various indicators that are not yetavailableinthe publicationof the Central StatisticsAgency.

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