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Research Paper

Determinants of Community Welfare in Southeast Sulawesi, Indonesia

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Abstract

Community welfare is a fundamental objective in achieving sustainable and equitable development, particularly in regions facing persistent urban–rural disparities. Despite various policy interventions, including fiscal transfers and targeted development programs at local levels, the determinants of community welfare remain a subject of debate. This study examines the key economic determinants of community welfare in Southeast Sulawesi Province, Indonesia, focusing on economic growth, income inequality, labor absorption, infrastructure availability, and investment. Using panel data regression analysis, this study investigates the causal relationships between these economic factors and community welfare across districts and cities in Southeast Sulawesi from 2012 to 2021, based on data from the Central Statistics Agency. The results indicate that labor absorption, income inequality, infrastructure development, and investment have significant effects on community welfare. Employment emerges as the most influential factor, suggesting that higher labor absorption plays a critical role in improving welfare outcomes. Income inequality shows a significant negative effect, indicating that increasing disparities reduce overall welfare. Infrastructure development and investment positively contribute to welfare by enhancing public services and expanding employment opportunities. In contrast, economic growth demonstrates a weaker impact compared to other determinants. This study contributes to the literature by providing empirical evidence that community welfare is more strongly influenced by employment creation and inequality reduction than by economic growth alone. The findings offer important policy implications for regional development planning, emphasizing the need for inclusive, labor-oriented, and infrastructure-supported development strategies to enhance welfare in developing regions.

Keywords *Welfare; Economic Growth; Income Inequality; Labor Absorption; Infrastructure; Sustainable Development*

INTRODUCTION

Community welfare and poverty are two things that are consistently focused on in development goals by Saranani et al. (2023), Hasddin and Melati (2023). Various programs have been implemented, starting from providing direct assistance to special budgets at the village/district government levels by Supardi et al. (2024), and Mukaddas et al. (2021).

The world community continues to debate the issue of welfare and poverty, including new formulations for overcoming it. Economic turmoil, including the Covid-19 pandemic (Balaka et al., 2024; Breemer et al., 2024), has forced experts to look for new formats to overcome this. Among the points discussed are variables and welfare, where each country has different characteristics (White et al., 2013; Alkire & Foster, 2011). About the debate in question, Annahar (2018), it is found that social welfare is a measure of the community's ability to meet life's needs at a micro level, which can be measured from the level of meeting educational and health needs, as well as purchasing power to meet consumption needs. Other studies, such as Brockington (2021) and Razak (2019), state that from a macro perspective, it can be seen that the level of social welfare can be influenced by economic growth, income inequality, population, employment, infrastructure, and investment.

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Community welfare is influenced by income inequality. Income inequality occurs because income levels cannot meet household needs. Income inequality causes welfare to be less effective because the portion of income that comes from cash income decreases and is less concentrated on family needs. Income inequality causes household needs not to be met, and prosperity in the household cannot be achieved (Sari et al., 2023).

Community welfare is supported by a workforce that works to meet the needs of each household. Majchrowska and Zolkiewski (2012) found in their research that employment influences people's welfare. According to Todaro and Stephen (2006); Anand & Sen (2000) community welfare describes the condition of fulfilling basic needs as reflected in adequate housing, adequate clothing and food needs, low cost of education and health; and quality or conditions where each individual can maximize his utility at a certain budget limit level and conditions where physical and spiritual needs are met.

Theoretically, the level of social welfare can be achieved when economic growth increases, and income inequality according Razak (2019); Fitriyatus (2017); Kim (2017), absorption manpower increases, followed by infrastructure development and high investment absorption (Wikarsa et al., 2023; Prasetiyaningtyas et al., 2022; Bado et al., 2022; Inayah & Aisyah, 2021; Ibnurrasyad, 2014; Janeski et al., 2014). If, on the contrary, then the condition that occurs is poverty with a high level of income inequality. Then, development in each region requires development capital sourced from investors who are willing to invest. Because investment aims to realize community welfare, which is characterized by the provision of facilities and infrastructure for education, health, and the provision of space to fulfill the community's basic needs.

The influence of these variables is not always in line with theoretical expectations, as stated by several researchers. For example, Ka'arieni et al. (2020) found that economic growth had no significant effect on people's welfare. Similarly, Mulia and Saputra (2020), Adriyanto et al. (2020) reported that labor absorption capacity and unemployment rates had no significant impact on welfare levels.

The relationship between income and welfare is also inconsistent, as stated by Mangunsong et al. (2023), who observed that income does not always contribute positively to people's welfare. In addition, income inequality is still a persistent problem, failing to play a positive role in improving welfare outcomes (Kholosah and Lestari, 2023).

Infrastructure and investment also show limited direct effects on people's welfare. Eliana and Endang (2023) reported that these factors have an insignificant positive effect on welfare. Ka'arieni et al. (2020) further emphasized that improving welfare requires reducing economic disparities, unemployment rates, and poverty rates as the main steps.

Given this research gap, further research is essential to update and/or strengthen the theory that economic growth, employment, income levels, infrastructure, and investment significantly affect people's welfare.

Mardianto et al. (2022) and Dini and Fauzan (2020) emphasized that welfare issues remain a major concern for development in Indonesia. In particular, 13 provinces, including Southeast Sulawesi, continue to face poverty challenges despite ongoing efforts to improve infrastructure, increase investment, and increase employment. This improvement is expected to contribute positively to welfare growth through progress in the Human Development Index (HDI). Further details on this are illustrated in Figure 1.

Community welfare, as reflected in the Human Development Index (HDI), showed a positive trend during the 2012-2021 period, with an increase of 4.59 points. This improvement aligns with a decrease in the income ratio by approximately 0.02 points, indicating a potential link between reduced income inequality and enhanced welfare. Similarly, labor absorption rose by about 2.43 points, the infrastructure development index improved significantly by approximately 11.89

points, and investment increased remarkably by around 29.90 points. However, economic growth exhibited a different pattern, declining from 7% in 2012 to 6.81% in 2017 and further down to 5.53% in 2021.

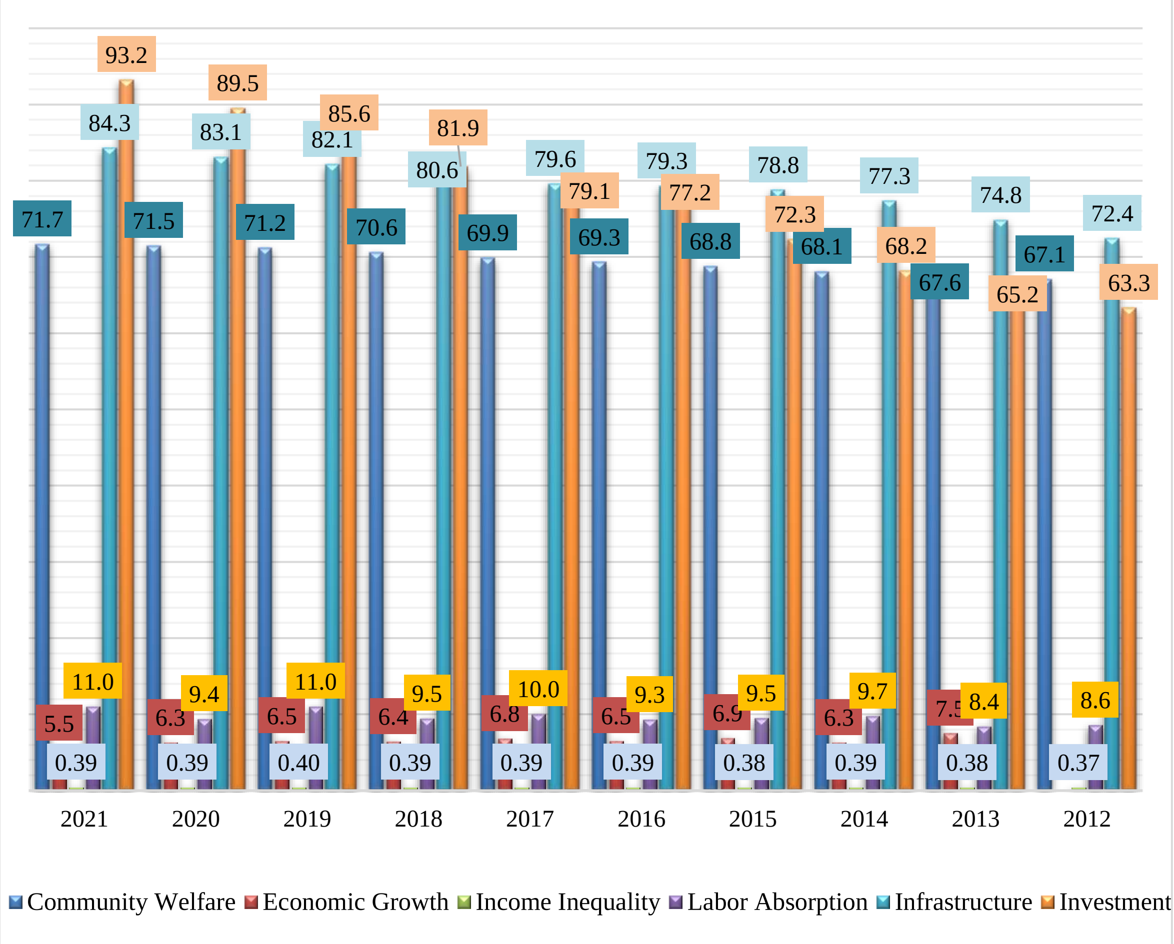

Figure 1. Development of Community Welfare, Economic Growth, Income Inequality, Labor Absorption, Infrastructure and Investment in Southeast Sulawesi Province 2012-2021

These trends highlight the complex and dynamic relationship between economic growth, income inequality, employment, infrastructure development, and investment utilization in Southeast Sulawesi Province. Although positive developments were observed in some indicators, the fluctuating nature of economic growth and persistent socioeconomic disparities suggest that the influence of these variables on community welfare requires deeper investigation.

To address this gap, it is essential to examine the impact of labor absorption, infrastructure, and investment on community welfare. Previous studies have shown mixed results regarding these relationships. For instance, Eliana and Endang (2023) found that economic growth had no significant effect on community welfare, while Ka'arieni et al. (2020) concluded that labor absorption and unemployment rates did not significantly influence welfare. Meanwhile, Mangunsong et al. (2023) emphasized the inconsistent role of income in improving welfare, and Kholosah and Lestari (2023) pointed out that income inequality has yet to play a positive role in welfare enhancement. Eliana and Endang (2023) found that infrastructure and investment had minimal influence on community welfare, highlighting the need for further investigation.

This research adopts an innovative approach by utilizing a panel data regression model to examine the interaction of these factors, with a particular focus on Southeast Sulawesi Province. This method provides a strong analytical framework that integrates both time-series and cross-sectional data, enabling a deeper understanding of the dynamics that shape community welfare.

The novelty of this research lies in its specific regional focus on Southeast Sulawesi, an area still grappling with welfare challenges despite ongoing infrastructure investments and development efforts. By combining empirical data with advanced econometric techniques, this study aims to fill the research gap by identifying which factors exert the most significant influence on welfare improvement. The findings are expected to provide policymakers with valuable insights for designing targeted interventions that enhance economic connectivity, reduce income disparities, and optimize investment for inclusive and sustainable development.

LITERATURE REVIEW

Community welfare

Community welfare is a fundamental objective for households, regions, and nations, reflecting safety, security, and prosperity (Todaro, 2000; Aprilia & Kurniawan, 2018). Welfare is not solely defined by income levels but also by the fulfillment of basic needs that enable individuals and communities to achieve a stable and meaningful quality of life.

From a development perspective, community welfare encompasses economic, social, cultural, educational, and environmental dimensions (Sari et al., 2023). This multidimensional view implies that welfare improvement depends on income distribution, social justice, access to public services, and environmental sustainability. Economically, increased income, employment opportunities, and access to financial resources are essential drivers of welfare enhancement (Yusnika & Asmara, 2023). Social welfare is reflected in equal access to healthcare, education, and social protection, particularly for vulnerable groups (Hasrimi et al., 2024).

Consistent with the capability approach, development should expand individual freedoms and improve overall quality of life rather than merely increasing income levels (Santika & Sutrisno, 2014; Suryania, 2000). Investment in human capital plays a critical role in sustaining welfare improvements, as knowledge and innovation support long-term development without diminishing returns (Todaro, 2000). This perspective provides a conceptual foundation for examining welfare as an outcome of multiple economic determinants rather than growth alone.

Economic growth and community welfare

Economic growth reflects an increase in a region's capacity to produce goods and services through the efficient use of limited resources (Putong, 2013; Nazir, 2009). In macroeconomic theory, growth is associated with rising output per capita and improvements in living standards, although its benefits may not be evenly distributed (McConnell & Brue, 2005).

Kuznets' growth theory emphasizes that economic growth is driven by technological progress and institutional transformation, which alter production structures and labor allocation (Jhingan, 2000). Growth is therefore not only a quantitative increase in output, but also a qualitative transformation that affects social, political, and economic systems (Kusumaningrum & Yuhan, 2019; Silastri, 2017). However, as highlighted in development economics, economic growth does not automatically translate into improved community welfare, particularly when structural inequalities persist (Permata & Handayani, 2019). This theoretical debate justifies empirical testing of the growth–welfare relationship at the regional level.

Income inequality and welfare

Income represents returns received from the utilization of production factors and economic activities over a certain period (Boediono, 2009). At the household level, income determines the ability to meet basic needs and maintain a decent standard of living. Income inequality reflects disparities in income distribution across individuals or regions over time (Yasa & Arka, 2015; Putri et al., 2015).

According to income distribution theory, inequality arises from differences in ownership, access, and valuation of production factors (Boediono, 2009). Individuals with higher-quality assets or skills tend to receive higher income, while limited access to productive resources constrains others. Persistent inequality can weaken welfare outcomes by restricting access to education, healthcare, and employment opportunities, thereby justifying its inclusion as a key determinant of community welfare.

Labor absorption and welfare

Labor is a central mechanism through which economic growth affects welfare. The Central Statistics Agency classifies the labor force as individuals aged 15 years and above who are working, temporarily unemployed, or actively seeking employment. The non-labor force, on the other hand, includes students and individuals engaged in unpaid activities (Mulyadi, 2017).

Labor absorption reflects the economy's ability to provide employment opportunities for the productive population. Higher labor absorption increases household income and reduces vulnerability, thereby improving welfare. Labor market outcomes are influenced by education, skills, and regional economic conditions, making employment a crucial transmission channel between development policies and welfare improvement (Brudeseth, 2015).

Infrastructure and community welfare

Infrastructure functions as a public good that supports economic and social activities (Kodoatie, 2005). Economic, social, and administrative infrastructure facilitate production, service delivery, and governance (Prasetyo & Firdaus, 2009). Adequate infrastructure reduces transaction costs, improves accessibility, and enhances productivity, thereby contributing to welfare improvement.

As public goods, infrastructure exhibits non-rivalry and non-excludability, although congestion may limit its benefits in practice (Hapsari, 2011; Valeriani, 2011). Infrastructure development, therefore, plays a strategic role in supporting inclusive growth and improving community welfare through better access to services and employment opportunities.

Investment and welfare enhancement

Investment is a key driver of economic expansion through its role in increasing productive capacity and employment (Sukirno, 2000; Eduardus, 2021). Capital accumulation supports both short-term income generation and long-term economic sustainability. In Indonesia, investment policy emphasizes the utilization of both domestic and foreign capital to stimulate regional development and improve welfare (Nizar et al., 2013).

Both domestic and foreign investment contribute to job creation, infrastructure development, and technology transfer, reinforcing their importance as determinants of community welfare. A conducive investment climate enables investment to function as a catalyst for sustainable development and social progress.

RESEARCH METHOD

This study adopts a quantitative research approach designed to examine the factors influencing the welfare of the population in Southeast Sulawesi Province. By employing this method, the research aims to present measurable and objective data to support empirical analysis. The core objective is to evaluate the determinants that contribute to community welfare using statistical techniques that allow for accurate assessment and interpretation.

This study employs a panel data regression model, which effectively analyzes data combining cross-sectional and time-series dimensions. This method is selected for its strength in capturing dynamic relationships between variables across multiple observation units over a defined period. By incorporating data from various timeframes and regions within Southeast Sulawesi, the panel data regression model strengthens the reliability of results and offers deeper insights into the factors influencing community welfare.

The primary objective of this approach is to identify and explain causal relationships between key economic variables. This causal analysis is conducted through rigorous hypothesis testing to ensure the observed effects are statistically significant and accurately reflect real-world conditions. Consequently, this study falls under the category of explanatory research, focusing on clarifying the influence of independent variables on the dependent variable while revealing the mechanisms that drive these interactions.

In this study, the dependent variable (Y) represents the level of community welfare, which is commonly measured using indicators such as the Human Development Index (HDI), income levels, or other relevant social and economic metrics. The research investigates how various independent variables (X) contribute to this outcome. These independent variables include (see also Figure 2).

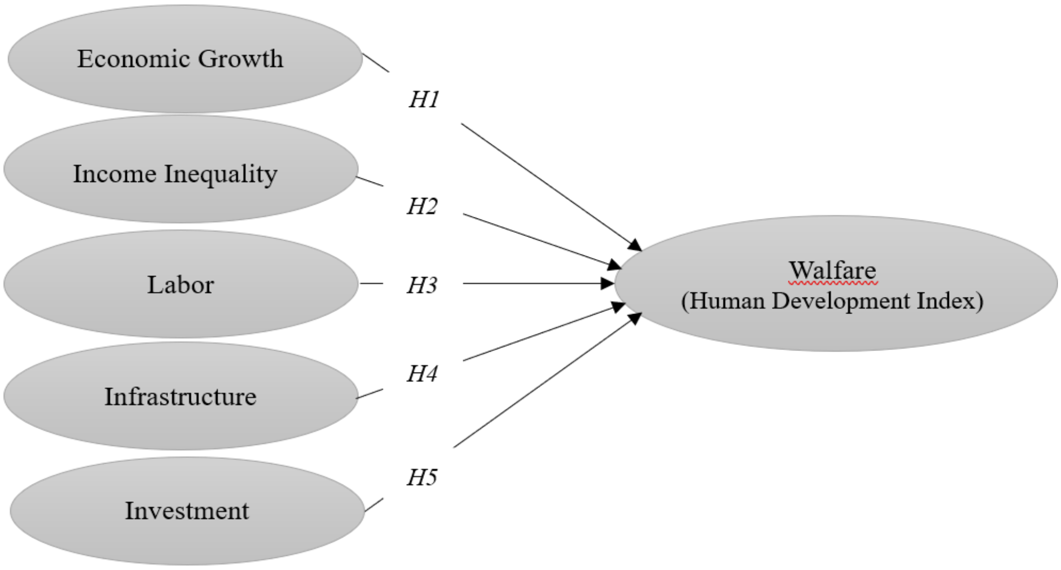

Figure 2. Conceptual Framework and Hypothesis

This study utilizes secondary panel data obtained from the Central Statistics Agency (BPS) of Southeast Sulawesi Province for the period 2012–2021. Community welfare is proxied by the Human Development Index (HDI), while economic growth is measured by the annual Gross Regional Domestic Product (GRDP) growth rate. The Gini ratio, labor absorption by the employment rate, infrastructure by an infrastructure development indicator, and investment by realized domestic and foreign investment represent income inequality. A summary of variables, proxies, data types, and data sources is presented in Table 1.

To ensure clarity and transparency in empirical measurement, the variables employed in this study, along with their data types, proxies, and sources, are summarized in Table 1.

Table 1. Variables, Data Type, Proxies, and Data Sources

Variable	Type of Data	Proxy / Measurement	Unit	Data Source
Community Welfare (WF)	Secondary	Human Development Index (HDI)	Index	Central Statistics Agency (BPS) of Southeast Sulawesi

Variable	Type of Data	Proxy / Measurement	Unit	Data Source
Economic Growth (EG)	Secondary	Annual GRDP Growth Rate	Percent (%)	Central Statistics Agency (BPS) of Southeast Sulawesi
Income Inequality (InQ)	Secondary	Gini Ratio	Index	Central Statistics Agency (BPS) of Southeast Sulawesi
Labor Absorption (LA)	Secondary	Employment Rate / Labor Absorption Rate	Percent (%)	Central Statistics Agency (BPS) of Southeast Sulawesi
Infrastructure (INF)	Secondary	Infrastructure Development Index / Road Length / Public Facility Indicator*	Index	Central Statistics Agency (BPS) of Southeast Sulawesi
Investment (INV)	Secondary	Realized Domestic and Foreign Investment	Billion IDR	Central Statistics Agency (BPS) of Southeast Sulawesi

This study utilized data collected through documentation-based methods, which involved gathering secondary data from credible and official sources to ensure accuracy and reliability. The primary data source was the Central Statistics Agency (BPS) of Southeast Sulawesi Province, covering the period from 2012 to 2021. To enrich the dataset, additional information was obtained from the Manpower and Transmigration Office, as well as the Investment and One-Stop Integrated Service Agency (PM-PTSP) of Southeast Sulawesi Province. These supplementary sources provided valuable insights into regional employment trends, investment patterns, and other relevant economic indicators.

For data analysis, this research applied a panel data regression model, which is particularly effective for examining data that combines cross-sectional and time-series dimensions. This method was selected to evaluate the causal relationship between independent and dependent variables. By utilizing data from 2012 to 2021, the approach enables an analysis of changes over time while considering differences across observation units.

This study employs the EViews 10 software application to perform panel data regression analysis. EViews 10 is recognized for its advanced econometric analysis capabilities, making it suitable for estimating regression coefficients, testing hypotheses, and assessing the significance of each independent variable's impact on the dependent variable. The software's comprehensive features enable the evaluation of multiple model specifications, including the Common Effect Model (CEM), Fixed Effect Model (FEM), and Random Effect Model (REM), ensuring the selection of the most appropriate model for the dataset.

This methodological approach not only strengthens the validity of the study's findings but also allows for precise identification of factors that significantly influence people's welfare in Southeast Sulawesi Province. By combining comprehensive data collection from authoritative sources with sophisticated econometric analysis, this study aims to provide in-depth conclusions that can inform future policy directions and regional development strategies.

FINDINGS AND DISCUSSION

Chow Test

The Chow Test was conducted to determine the most appropriate estimation model between the Common Effect Model (CEM) and the Fixed Effect Model (FEM). This statistical procedure assesses structural differences across groups to identify the model that best fits the dataset. The Chow Test follows these hypotheses: (a) Null Hypothesis (H0): The Common Effect Model is the preferred model; and (b) Alternative Hypothesis (H1): The Fixed Effect Model is the preferred model.

Decision-making is based on the probability value of the F-statistic: (a) If the probability value exceeds the significance threshold of 0.05, the null hypothesis (H0) is accepted, indicating the Common Effect Model is preferable; (b) If the probability value is below 0.05, the null hypothesis is rejected, favoring the Fixed Effect Model.

In this study, the Chow Test results showed a Cross-section F statistic of 3.061720 with a probability value of 0.0002, and a Cross-section Chi-square statistic of 48.607781 with a probability value of 0.0000. Since both values are below the 0.05 significance level, the null hypothesis (H0) is rejected. This outcome confirms that the Fixed Effect Model is the most appropriate choice, as it effectively captures variations across cross-sectional units.

Following the identification of the Fixed Effect Model as the optimal approach, further evaluation was conducted using the Hausman Test to compare it with the Random Effect Model (REM). This additional step ensured the selection of the model that best explains the relationship between the examined variables.

Hausman Test

The Hausman Test was conducted to determine the most appropriate model between the Fixed Effect Model (FEM) and the Random Effect Model (REM). This statistical test is essential for identifying a model that aligns with the dataset's characteristics and enhances the accuracy of the analysis.

The Hausman Test follows these hypotheses: (a) Null Hypothesis (H0): The Random Effect Model is the preferred model; (b) Alternative Hypothesis (H1): The Fixed Effect Model is the preferred model. The decision criteria are as follows: if the probability value exceeds the 0.05 significance level, the null hypothesis (H0) is accepted, indicating that the Random Effect Model is preferable. Conversely, if the probability value is below 0.05, the null hypothesis is rejected, favoring the Fixed Effect Model.

In this study, the Hausman Test results produced a Chi-square statistic of 4.806883 with 5 degrees of freedom and a probability value of 0.4399. Since this probability value is greater than 0.05, the null hypothesis (H0) is accepted, confirming that the Random Effect Model is the most appropriate choice for this research.

The acceptance of the Random Effect Model suggests that individual-specific effects are uncorrelated with the independent variables, making it the optimal approach for explaining the relationships observed in the dataset. This finding further strengthens the model selection process, which involved a prior evaluation using the Chow Test. Among the three tested models — the Common Effect Model, Fixed Effect Model, and Random Effect Model — the Random Effect Model emerged as the most suitable for analyzing the data effectively.

Random Effect Model

The Random Effect Model (REM) is a specialized regression technique applied in panel data analysis, designed to accommodate variations stemming from both time-related factors and cross-sectional differences—such as distinctions between districts and cities within the study. Unlike the Fixed Effect Model, the REM assumes that individual-specific effects are random and have no correlation with the independent variables.

In this research, the REM is employed to account for variability that may emerge from unobserved factors differing across regions and over time. By incorporating this approach, the model enhances its ability to manage potential heterogeneity, thereby improving the reliability and accuracy of the estimation results.

The results of the analysis using the Random Effect Model are comprehensively detailed in Table 2, which illustrates the influence of the examined variables across the specified time frame and geographic regions. By using REM, this study aims to produce findings that more accurately reflect the dynamics of the observed data while minimizing potential bias caused by unmeasured factors.

Table 2. Random Effect Model

Cross-section random effects test equation:				
Dependent Variable: IPM				
Method: Panel Least Squares				
Date: 05/01/24 Time: 11:22				
Sample: 2012 2021				
Periods included: 10				
Cross-sections included: 17				
Total panel (balanced) observations: 170				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
Community Welfare (WF)	3,679043	2,619978	1,404227	0.1623
Economic Growth (EG)	0,146451	0,068653	2,133215	0.0346
Income Inequality (InQ)	2,450976	7,439.969	3,294336	0.0012
Labor Absorption (LA)	0,162961	0,035102	4,642436	0,0000
Infrastructure (INF)	0,201092	0,014465	1,390201	0,0000
Investment (INV)	0,184503	0,007222	2,554653	0,0000
Effects Specification				
Cross-section fixed (dummy variables)				
R-squared	0,961718	Mean dependent var		4,567718
Adjusted R-squared	0,956286	S.D. dependent var		3,712724
S.E. of regression	0,776248	Akaike info criterion		2,451548
Sum squared resid	8,917905	Schwarz criterion		2,857358
Log likelihood	-1,863816	Hannan-Quinn criter.		2,616221
F-statistic	1770,515	Durbin-Watson stat		1,370365
Prob(F-statistic)	0,00000			

Source: Author (2024)

The results of the panel data regression analysis offer valuable insights into the factors that influence community welfare. The constant value obtained in the analysis is 3.679043, meaning that if all independent variables remain unchanged, community welfare is expected to increase by 3.679043 units.

The regression coefficient for the Economic Growth (EG) variable is 0.146451, suggesting that a one-unit increase in economic growth is likely to improve community welfare by 0.146451 units. Conversely, a decline in economic growth is predicted to reduce welfare at the same rate. Similarly, the coefficient for the Income Inequality (InQ) variable is 2.450976, indicating that a one-unit increase in income inequality corresponds to a projected rise in community welfare by 2.450976 units, while a decrease in inequality is expected to have the opposite effect.

The Labor Absorption (LA) variable shows a regression coefficient of 0.162961, meaning that a one-unit increase in labor absorption is associated with an estimated 0.162961-unit improvement in community welfare. Conversely, reduced labor absorption is linked to a corresponding decline in welfare levels.

For the Infrastructure Development (INF) variable, the coefficient is 0.201092, signifying that a one-unit increase in infrastructure development is projected to enhance community welfare by 0.201092 units. Insufficient infrastructure development, on the other hand, may contribute to declining welfare conditions.

Lastly, the regression coefficient for the Investment (INV) variable is 0.192281, which implies that a one-unit increase in investment is predicted to boost community welfare by 0.192281 units. Conversely, a reduction in investment is likely to impede welfare growth.

These findings indicate that each independent variable — economic growth, Income Inequality, Labor Absorption, Infrastructure Development, and Investment — has a positive influence on community welfare. Collectively, these factors play a significant role in improving overall societal well-being.

Discussion

The Influence of Economic Growth on Community Welfare

Economic growth is widely acknowledged as a crucial factor in improving societal welfare. The results of panel data regression analysis in this study indicate that economic growth exerts a positive and significant impact on the welfare of communities in Southeast Sulawesi Province, as evidenced by a regression coefficient of 2.133215 and a probability value of 0.0025 (< 0.05). This finding aligns with the notion that economic expansion directly contributes to enhanced living standards, as suggested by Yusnika and Asmara (2023) and Sari et al. (2023).

Over the 2012-2021 period, Southeast Sulawesi's economic growth experienced fluctuations, peaking at 7.5% in 2013 before stabilizing in subsequent years. Despite these fluctuations, the overall trend indicated a gradual improvement in welfare indicators, which increased by 4.59 points over this timeframe. This pattern underscores the intricate relationship between economic stability and societal well-being. From a theoretical standpoint, this reinforces the growth-welfare nexus, suggesting that sustained economic development plays a pivotal role in ensuring improved welfare outcomes (Razak, 2019; Edeme, 2018). On a practical level, policymakers are encouraged to prioritize strategies that stimulate consistent economic expansion to promote better welfare conditions.

The Impact of Income Inequality on Community Welfare

Income inequality, measured through the Human Development Index (HDI), demonstrated a positive and significant influence on community welfare, as evidenced by a regression coefficient of 3.294336 and a probability value of 0.0012 (< 0.05). This finding supports Hasrimi et al. (2024), who highlighted that disparities in household income significantly shape welfare outcomes.

Income inequality patterns in Southeast Sulawesi Province remained stable between 2014 and 2018, except for a slight increase in 2019. Notably, the stability of social welfare indicators during this period suggests a closely linked relationship between income distribution and overall welfare levels. According to Mosher's perspective (Yusnika & Asmara, 2023), income plays a fundamental role in shaping household welfare since the ability to meet essential needs is directly tied to financial resources (Sari et al., 2023). Consequently, households with higher incomes are better positioned to allocate resources toward improving their quality of life and reducing their reliance on subsistence-level spending. Practically, efforts to reduce income inequality should involve targeted interventions such as social assistance programs, improved wage policies, and support for low-income households to foster broader economic inclusivity.

The Influence of Labor Absorption on Community Welfare

Labor absorption is a critical factor in reducing unemployment and enhancing household welfare. Regression analysis in this study reveals a positive and significant correlation between labor absorption and welfare levels in Southeast Sulawesi Province, with a probability value of 0.000 (< 0.05). This finding suggests that increased employment opportunities effectively improve household income, thereby enhancing overall welfare outcomes.

The importance of labor absorption aligns with Brudeseth's (2015) concept of welfare, which extends beyond income levels to encompass material security, social stability, emotional well-being, and safety. The study by Permata and Handayani (2019) similarly reinforces the notion that effective labor market participation has a significant influence on welfare standards. This emphasizes the need for governments to implement policies that expand job opportunities, particularly through vocational training programs, industry partnerships, and entrepreneurship support initiatives.

The Role of Infrastructure in Enhancing Community Welfare

Infrastructure development emerges as a significant determinant of community welfare, as reflected in this study's findings with a probability value of 0.0000 (< 0.05). Infrastructure investments, such as roads, transportation networks, educational facilities, and marketplaces, play a pivotal role in facilitating economic activities and improving the quality of life.

During the 2012-2021 period, Southeast Sulawesi experienced steady infrastructure expansion, with coverage rates increasing from 72.41% in 2012 to 84.31% in 2021. This upward trend indicates that infrastructure development has substantially enhanced the region's economic connectivity and accessibility to essential services. These findings contradict earlier research by Eliana and Endang (2023), who found limited evidence of infrastructure positively influencing welfare outcomes. As a practical implication, policymakers should prioritize targeted infrastructure investments to bridge regional disparities, improve access to social services, and stimulate economic growth in underserved communities.

The Influence of Investment on Community Welfare

Investment remains a vital component in driving regional economic development, particularly in enhancing infrastructure and generating employment opportunities. The results of this study indicate that investment has a positive and significant impact on community welfare, with a probability value of 0.000 (< 0.05). This finding contradicts Eliana and Endang's (2023) conclusion that investment may not significantly influence welfare outcomes.

Investment trends in Southeast Sulawesi reveal a temporary decline in 2023; however, post-2021 data reflect a consistent upward trajectory. This pattern closely aligns with the observed improvements in welfare indicators, suggesting a strong interconnection between capital inflows and social well-being. Theoretically, this aligns with development economics theories, which emphasize investment as a catalyst for infrastructure expansion, technological advancement, and improved living standards. On a practical level, governments should actively promote an investment-friendly climate by streamlining regulatory processes, enhancing incentives for investors, and strengthening public-private partnerships to sustain long-term economic growth and community welfare advancement.

Practical Implications

From a practical perspective, the study's findings provide important policy insights for regional development planning in Southeast Sulawesi Province. The results indicate that inclusive income distribution mechanisms must accompany economic growth to ensure that welfare gains are evenly shared across communities.

Strengthening labor absorption emerges as a critical policy priority, particularly through vocational education, skills upgrading, and the promotion of labor-intensive economic sectors. These measures are essential to enhance household income stability and reduce welfare vulnerability. Furthermore, infrastructure development should remain a strategic focus, especially in underserved and peripheral regions, as it improves accessibility, reduces interregional disparities, and stimulates local economic activities.

The positive contribution of investment highlights the need for a conducive investment climate supported by regulatory simplification, institutional strengthening, and public–private partnerships. Overall, the integration of growth, employment, infrastructure, and investment policies is essential for designing effective regional development strategies aimed at achieving sustainable improvements in community welfare.

CONCLUSIONS

This study offers fresh insights by examining Southeast Sulawesi, a region that continues to struggle with welfare challenges despite ongoing infrastructure investments and development efforts. By combining empirical data with advanced econometric techniques, this research addresses a crucial gap in understanding the primary drivers of welfare improvement. The findings confirm that economic growth significantly enhances social welfare, reinforcing the idea that improved economic conditions contribute to higher living standards. However, economic growth alone is insufficient to achieve equitable welfare improvements without addressing other contributing factors.

Among these factors, labor absorption emerged as the most influential determinant of welfare levels. This underscores the vital role of employment opportunities in improving household incomes and overall well-being. Consequently, policies that focus on job creation, workforce development, and skill enhancement should be prioritized to accelerate welfare gains. Income inequality, as measured by the Gini index, was also found to impact welfare significantly, emphasizing the need for targeted interventions to reduce income disparities and ensure inclusive growth.

Infrastructure development and investment similarly play essential roles in improving welfare outcomes. While Southeast Sulawesi has seen steady infrastructure expansion, ensuring these developments are integrated with economic growth strategies is crucial to maximizing their impact. Additionally, fostering an investment-friendly environment can stimulate economic activity and further enhance social welfare. Ultimately, the results highlight that while economic growth and investment are important, increasing employment opportunities remains the most decisive factor in driving sustainable welfare improvements in Southeast Sulawesi.

Theoretically, this study extends existing welfare models by emphasizing the unique socio-economic context of Southeast Sulawesi. This study reinforces the concept that employment is a key catalyst for improving welfare, while economic growth, investment, and infrastructure serve as complementary drivers.

Practically, these findings offer policymakers actionable insights. To improve welfare in Southeast Sulawesi, the government should prioritize job creation initiatives, vocational training programs, and entrepreneurship support to increase employment rates. In addition, efforts to reduce income inequality should be stepped up through inclusive economic policies that ensure marginalized groups benefit from growth. Strengthening infrastructure planning and expanding investment opportunities will further promote sustainable and inclusive development in the region.

By identifying labor absorption as the most influential factor, this study underscores the importance of promoting economic connectivity between urban and rural areas, increasing labor mobility, and ensuring equitable access to economic opportunities. These targeted interventions are essential to achieving long-term welfare improvements in Southeast Sulawesi.

LIMITATION & FURTHER RESEARCH

The limitations of the study are those characteristics of design or methodology that impacted or influenced the interpretation of the findings from your research. Further research should suggest the number of gaps in our knowledge that follow from our findings or to extend and further test of the research.

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