

The Effects of Exports, Inflation, Provincial Minimum Wage, Household Consumption, and Democracy on PMDN in Java Island for the 2009-2022 Period

Vina Rahmawati^a and Muhammad Ghafur Wibowo^{a, *}

^aUIN Sunan Kalijaga Yogyakarta, Faculty of Economics and Islamic Business

To Cite This Article:

Rahmawati, V. and Wibowo, M. G. (2023). The effect of Exports, Inflation, Provincial Minimum Wages, Household Consumption, and Democracy on PMDN in Java Island for the 2009-2022 Period. *Bulletin of Islamic Economics*, 1(2), 45-57.

Abstract: Investment is an activity that can increase economic growth in a region. In times of crisis, economic activities that can help stabilize the economy are private investment or commonly called Domestic Investment (PMDN). The purpose of this study is to determine the impact of independent variables in the form of exports, inflation, provincial minimum wage, household consumption, and the Indonesian democracy index on the variables of Domestic Investment in 6 Provinces in Java for the 2009-2022 period. The data used in this study is secondary panel data. The analysis method used is the panel data regression analysis method with a weighted Fixed Effect model approach with Cross Section SUR. The results of this study are export variables, provincial minimum wages, and the Indonesian democracy index have a significant and positive influence on PMDN. Then the inflation variable has a negative and insignificant influence on PMDN. Meanwhile, household consumption has a significant and negative influence on PMDN in 6 provinces in Java.

Keywords: *Export, Inflation, Provincial Minimum Wage, Household Consumption, Indonesian Democracy Index, PMDN.*

Introduction

The economic growth of a country can be seen from the state of the country's economy. Public welfare can be used as a benchmark for the success of a country's economy. The economy is said to be successful if the country produces a lot of output followed by a lot of demand, then the owner of the company will absorb more labor. When the unemployment rate is low, it can be concluded that the community is prosperous because it has a fixed income. The state of the economy can be observed from the inflation rate, the smooth flow of exports and imports, the level of household consumption, and the success of democracy implemented as well as the level of investment in the country (Blanchard & Johnson, 2013).

The occurrence of the Covid-19 virus pandemic that began to enter Indonesia on March 2, 2020, became the beginning of the threat of the economic crisis that had occurred. The export and import sector in Indonesia also decreased -6.52% (YoY) for goods exports and -52.70% (YoY) for service exports. Import activity also contracted by -11% (YoY) for goods and -41.36% (YoY) for services. The decline in exports and imports was caused by lockdown policies, which had an impact on the tourism sector. Judging from each sector, the sectors that contracted were the processing industry by -6.19% (YoY), the transportation and warehousing sector by -30.84% (YoY), and the accommodation sector along with food and beverages fell by -22.02% (YoY). After the pandemic ends, namely on May 5, 2022, the Indonesian government and all its people must work together to restore the economy that has experienced a crisis due to the Covid-19 pandemic. The crisis in the economic sector is certainly felt by all regions in Indonesia, especially in Java Island where Java Island itself is known as the island with the most population than other islands.

*Corresponding Author

✉ 20108010085@student.uin-suka.ac.id (V. Rahmawati), muhammad.wibowo@uin-suka.ac.id (M. G. Wibowo).

🌐 <https://doi.org/10.14421/bie.2023.022-01>



This is an open access article under the CC-BY-SA license

Java Island contributes the most to increasing economic growth in Indonesia. This is because the center of government activities and the center of economic activity is located in one of the provinces on the island of Java, namely DKI Jakarta Province, which in the 2009-2022 period became the capital of Indonesia. Although Java Island is the largest contributor to economic growth in Indonesia, one of the provinces in Java Island is an area that has the highest level of income inequality, namely in the Special Region of Yogyakarta. This situation makes Java Island considered capable of providing a representative enough picture to describe the economic situation in Indonesia.

The economy in a region is said to be good if the level of consumption increases but the increase is not drastic so that it does not cause inflation and production in a company will also increase (Siti *et al.*, 2017). When production increases, the company will grow and the company's revenue will also increase. When the company is getting better because the company's revenue continues to increase, investors will be interested in investing in the company because investors assume that when investing in a company that has good performance, the percentage of loss when investing will be small.

Sales of domestic products need to be increased to increase exports. High and low inflation will also affect the value of exports. When the inflation value is high, it will have an adverse impact on the amount of exports made by Indonesian citizens. If inflation increases, demand for goods exports will decrease (BR Silitonga *et al.*, 2019). According to the book published by the central statistics agency, domestic investment is an activity carried out by people who are Indonesian citizens or a domestic business entity, to run a business in the territory of the Unitary State of the Republic of Indonesia by participating in investing in the country of Indonesia. Assets used in investment activities, whether in the form of money or non-money, must come from within the country.

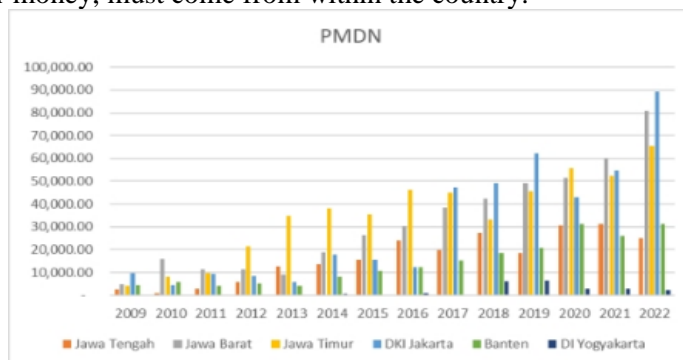


Figure 1. PMDN in 6 provinces in Java Island in 2009-2022

Source: BPS Website, processed data

Based on the chart above, it can be concluded that in 6 provinces on Java Island, the provinces with the highest domestic investment value in 2022 are DKI Jakarta Province with a PMDN value of 89,223.6 billion rupiah, the second West Java Province of IDR 80,808.3 billion, and the third East Java of IDR 65,355.9 billion. Central Java Province has a PMDN level of 24,992.3 billion rupiah which occupies the fifth position after Banten Province, which is 31,283.9 billion rupiah. Furthermore, the one that occupies the lowest position of its PMDN value is Yogyakarta DI Province of 2,275 billion rupiah.

High inflation is not good for the economy, that is, when inflation soars, people's income will decrease. This will cause the poor to become poorer or more difficult (Suseno & Astiyah, 2010). The next factor that can affect the value of PMDN is the provincial minimum wage in each region. If many companies in each district/city set wages below the provincial minimum wage set by the local governor, then the area has a high level of income inequality. When the level of income inequality is high, many people are not prosperous so it is difficult to meet their consumptive needs (Fahrurnisa, 2018).

Consumption carried out by each individual will affect PMDN. When the level of income inequality is high, household consumption will weaken although not significantly because there are some staples such as food staples that must still be purchased when income equals zero. When the level of income inequality is high, people will go into debt so that they can still buy basic necessities (Persaulian *et al.*, 2013).

*Corresponding Author

✉ 20108010085@student.uin-suka.ac.id (V. Rahmawati), muhammad.wibowo@uin-suka.ac.id (M. G. Wibowo).

🌐 <https://doi.org/10.14421/bie.2023.022-01>



This is an open access article under the CC-BY-SA license

Factors that can affect the value of domestic investment are not only the level of production, consumption, exports, inflation, wages, technological advances, labor levels, and education levels, but policies made by the government can also be the cause of ups and downs in growth economy in Indonesia. The success of a government in making policies can be seen from the Indonesian democracy index data published by the Central Statistics Agency. The Indonesian democracy index began to exist since 2009 and is used to see the value of democracy both at the national and provincial levels (Damanik & Lubis, 2022).

In several previous studies, research on the effect of exports, inflation, provincial minimum wages, household consumption, and Indonesia's democracy index required constant testing in order to obtain results that were in accordance with existing data. Research conducted by Maysari (2022) and Fahrurnisa (2018) provides results that the increase in UMR has a positive influence on the increase in investment. But research conducted by Widiowati & Kurnia (2014) resulted that in the short term the variable provincial minimum wage has a negative influence on increasing investment. Then research conducted by Syaikh & Haryati (2017) provides results that inflation and credit interest rates have a significant influence in a negative direction on investment in Indonesia. This study has the same results as the study conducted by (Murdo et al., 2023). However, the results of these two studies are inversely proportional to research conducted by Fuadi (2013), Sudirman (2017), and Majid (2021) which found that inflation has a positive effect on investment.

With the background above and the differences in results in several previous studies, the author wants to re-conduct this study to analyze the effect of exports, inflation, provincial minimum wage, household consumption, and the Indonesian democracy index on domestic investment in 6 provinces in Java.

Literature Review

Export

Export is also called international trade because export activities are activities to send goods abroad. Goods that become export commodities are goods that are not owned by other countries such as spices, palm oil, tea, furniture, and others where these products are superior products owned by the Indonesian state. Export activities are supervised by the directorate of customs and excise so that all export activities carried out by the public are always monitored and to protect domestic industries from entry and exit of dangerous products (Astuti, 2019). Below is the net export equation;

$$NX=Y-(C+I+G)$$

Net Exports = output – domestic production

The equation above explains that if the output value is greater than the amount of consumption, investment, and government expenditure, then net exports will be positive. Vice versa, if the value of output is less than the amount of consumption, investment, and government expenditure, net exports will be negative (Mankiw, 2006: 113). According to Keynes, export is one of the factors that can help improve the economy besides consumption, government spending, investment, and imports. When the value of exports changes, the community also experiences changes in income generation.

Inflation

Inflation is a condition when all prices of goods and services experience a continuous increase where the price increase will have a negative impact on the economy in the future (Mankiw, 2006: 136). Inflation can occur due to excessive levels of money supply and aggregate demand of the people. According to Keynes, inflation occurs because people increase their standard of living beyond their means.

Judging from the initial causes why inflation can occur, there are 2 types of inflation. An increase in inflation caused by an increase in demand and followed by a decrease in unemployment is called demand-pull inflation. While inflation caused by increased supply due to an increase in the price of goods and services, for example an increase in cooking oil prices, is called cost-push inflation (Bakti & Alie, 2018).

Provincial Minimum Wage

The provincial minimum wage is the minimum wage level set by the government for all districts or cities in one province. The types of wages include net wages, namely wages that have been reduced for

income tax costs, BPJS employment contributions, and others. Then there is also overtime pay, which is a wage given by the company to workers who do work beyond the previously agreed working time. The income obtained by the community greatly influences people's decisions in carrying out consumption activities.

According to David Ricardo, the amount of wages is determined by the minimum standard of living of the workers. If the minimum standard of living of workers increases, the wages of these workers must also increase. According to Karl Mark, the salary system is also seen from the standard of living or the average minimum needs of workers, the majority or most of whom are the same. Workers who have the same job desk will get the same salary. According to Karl Mark, the provision of appropriate wages also serves to encourage the morale of employees so that the production process can be maximized and the output produced is also maximized. Keynes that an increase in the level of wages will cause an increase in the level of consumption although not as large as an increase in the value of wages (Blanchard & Johnson, 2013).

Household Consumption

The welfare of the community can be seen from the level of consumption carried out per day. If the level of consumption is high, it can be said that people have a stable income. Keynes had 3 opinions regarding consumption activities. The first is that if people get an increase in wages, then people will also increase their level of consumption even though it is not as large as the increase in wages. The level of household per capita expenditure also has an influence on investment, although the effect can vary depending on various economic and social factors. If the level of consumption of goods and services carried out by the community is high, their income will be used up for these activities so that there are no other funds to invest. However, if people set aside their income to invest, it will increase the value of investment in Indonesia.

This is in line with Keynes's second opinion that when the income earned is more, they will also save or invest more because it is more profitable than increasing their average consumption. Then the last Keynes argued that the increase in interest rates did not affect the level of consumption carried out by the people. This is contrary to the classical theory of assumptions. The classical theory states that if interest rates are high, people will prefer to save rather than increase their consumption level, so it can inhibit people's desire to increase consumption levels (Mankiw, 2006: 447).

Indonesian Democracy Index

Democracy is a political system in which power is in the hands of the people. A democratic country is a country that prioritizes the welfare of its people above personal interests. Indonesia implemented a democratic political system for the first time in the general election for members of the House of Representatives on September 29, 1955 (Hazmi et al., 2021). At this time the implementation of democracy is based on the amended 1945 Constitution. Democracy has a concept of highly upholding human rights, justice, freedom of opinion, and many more things that aim to achieve the welfare of its people (Martha et al., 2015).

Data on the Indonesian democracy index began to exist since 2009 published by the Central Bureau of Statistics. Democracy in Indonesia is considered to have regressed by the body tasked with providing value to existing democracy. The decline is caused by the power held by some groups or individuals for the benefit of these groups or individuals so that ordinary people find it difficult to convey their aspirations. Monopoly of power does not exist in the political world alone, but the economic and social world is also a victim of monopoly power. Then there are bribery cases during elections can also be causing the decline of democracy so that people do not have the right to choose leaders.

The Indonesian democracy index is used to prepare the preparation of national medium development plans and is expected to improve the condition of the political and democratic world in Indonesia. Aspects that become indicators to make IDI values are seen from freedom and equality in the political, social and economic world, the role of the government in preventing differential treatment or discrimination against the community and understanding of diversity in Indonesia.

*Corresponding Author

✉ 20108010085@student.uin-suka.ac.id (V. Rahmawati), muhammad.wibowo@uin-suka.ac.id (M. G. Wibowo).

🌐 <https://doi.org/10.14421/bie.2023.022-01>



This is an open access article under the CC-BY-SA license

Domestic Investment

Domestic Investment is an activity carried out by people who are Indonesian citizens or carried out by a domestic business entity to do business in the territory of the Republic of Indonesia by investing in the country of Indonesia. Assets used to invest, whether in the form of money or non-money, must come from within the country. Most inflation has a negative impact on investment because when the inflation rate is high, the risks that occur when investing will be higher (Bakti & Alie, 2018).

According to Keynes's theory, there is a negative relationship between interest rates and the amount of investment made in a given year. Marginal Efficiency of Investment (MEI) is a benchmark for investors if they want to invest. The Marginal Efficiency of Investment curve shows the relationship between the interest rate and the profit obtained from the investment activity and is used to make calculations related to the changing prices of production factors. MEI is used to see future economic conditions where the value is not fixed so that only entrepreneurs can calculate when the right time is to invest. If the economic situation in the future decreases, it causes investors who have invested to experience losses (Blanchard & Johnson, 2013).

Hypothesis

In research conducted by (Sudirman, 2017) gave results that exports have a positive and significant effect on Central Kalimantan PMDN. The results of this research are in line with research conducted by (Murti, 2019) that exports have a significant and good influence on PMDN. For this reason, the hypotheticals used in this study are:

H1= Exports have a significant and positive effect on Domestic Investment in 6 provinces in Java Island in 2009-2022.

Quantity theory states that inflation occurs when the amount of money circulation in society increases rapidly (Mankiw, 2006). Research conducted by (Sudirman, 2017) that Inflation has a positive and significant effect on Central Kalimantan's PMDN. The results of this study are inversely proportional to the results of research conducted by Murdo et al., (2023) where the results of his research are in line with research conducted by Priadi & Andriyani (2021) that Inflation does not have a good influence on the realisation of PMDN. For this reason, the hypotheses used in this study are: H2= Inflation has a significant and negative effect on Domestic Investment in 6 provinces in Java Island in 2009-2022.

Research conducted by Maysari (2022) and Fahrunnisa (2018) provides results that the increase in UMR has a positive influence on the increase in investment. But research conducted by Widiowati & Kurnia (2014) resulted that in the short term the variable provincial minimum wage has a negative influence on increasing investment. For this reason, the hypotheticals used in this study are:

H3: The Provincial Minimum Wage has a positive and significant effect on Domestic Investment in 6 provinces in Java Island in 2009-2022.

Research conducted by Setiawan & Amar (2022) provides results that savings negatively affect people's consumption. So the study assumes that when the level of wages earned is the same, if households want to increase savings/investment then current consumption must be reduced in order to have money left to save. The research is in line with research conducted by Kasiang et al., (2018) that consumption has a significant and negative relationship with people's savings. According to Hartono (2008) when the community cannot control the level of consumption of goods and services, the consumption carried out will negatively affect investment because the income has been spent on consumptive activities on goods and services so that there is no income left to invest.

H4: Household Consumption has a negative and significant effect on Domestic Investment in 6 provinces in Java Island in 2009-2022.

Research conducted by Damanik & Lubis (2022) provides results that democracy does not have a significant influence on economic growth on the island of Sumatra. The results of this study are in line with research conducted by Yudanto & Nugroho (2021) that democracy does not affect economic growth. Research conducted by Putri & Triani (2021) found that there is a positive relationship between democracy and economic growth. The results of the study are in line with research conducted by Adib et al., (2016) which provides results that the Indonesian democracy index has a positive influence on economic growth (Prof. et al., n.d.).

H5= Indonesian Democracy Index has a positive and significant effect on Domestic Investment in 6

provinces in Java Island in 2009-2022.

Methodology

In this study, the analysis method used is the panel data regression analysis method. Panel data regression analysis is an analysis that combines time series data with cross section data. The data used are data in the type of time series and cross section data. The data taken is annual data for 14 years (2009-2022) consisting of secondary data including export data, inflation, provincial minimum wage, household consumption, Indonesian democracy index, and domestic investment in 6 provinces in Java. The data is obtained through the official website of BPS both national and BPS in each province, Bappeda, and the website of one data ministry of trade. The object of research used is in 6 provinces in Java. There are three approaches to estimating regression models with panel data. The three models are Common Effect Model, Fixed Effect Model, and Random Effect Model. E-VIEWS 9 software is used in the existing data processing process to obtain the final result.

Result and Discussion

Analysis Results

Descriptive Analysis

Table 1. Descriptive Statistics

	PMDN	EX	INF	UMP	KRT	IDI
Mean	21732.72	11593.66	4.186310	1564470	1075533	73.34155
Median	15276.30	10369.10	3.390000	1377500	987489.0	72.73000
Maximum	89223.60	38546.60	10.20000	4641854	3442282	89.21000
Minimum	1.600000	108.7000	1.400000	570000.0	350623.0	54.99000
Std. Dev.	20577.22	8933.031	2.190567	897560.7	535593.4	82.43962
Number of Observations	84	84	84	84	84	84

Source: Processed results data 2023

From the results of the data analysis above, each variable has 84 observations. The Domestic Investment Variable (PMDN) has a minimum value of 1.6 billion and a maximum value of 89223.6 billion. In 6 Provinces in Java, the PMDN with the lowest value was in the Special Region of Yogyakarta in 2011 while the highest value was in DKI Jakarta Province in 2022. The average value of PMDN in this study was 21732.72 with a standard deviation value of 20577.22. The Export variable has a minimum export value of 108.70 million USD and a maximum value of 38546.60 million USD. The average export value in this study was 11593.66 with a standard deviation value of 8933.031.

Furthermore, the amount of inflation in 6 provinces in Java Island in this study has a minimum value of 1.4% and a maximum value of 10.2%. The average value of inflation in this study is 4.186310% with a standard deviation value of 2.190567%. Then the provincial minimum wage variable has the lowest value of 570,000 rupiah and the highest value of 4,641,854 rupiah. The average value of UMP in this study is 1564470 with a standard deviation value of 897560.7. The variable household consumption has the lowest value of 350,623 rupiah and the highest value of 3,442,282 rupiah. The average value in this study was 1075533 with a standard deviation value of 535593.4. The last one is the Indonesian democracy index (IDI) variable has the lowest value of 54.99 and the highest value of 89.21. The average IDI value in this study was 73.34155 with a standard deviation value of 82.43962. From all the descriptive statistical results above, data that has a standard deviation value smaller than the average value means that the data used in the study can be said to be good because it has a smaller range of data variations. Data will be more homogenous when it has a smaller range of data variations and the quality of the data used is also better.

Model Estimation Results

There are 3 models in panel data regression analysis, namely Common Effect Model, Fixed Effect Model, and Random Effect Model.

*Corresponding Author

✉ 20108010085@student.uin-suka.ac.id (V. Rahmawati), muhammad.wibowo@uin-suka.ac.id (M. G. Wibowo).

🌐 <https://doi.org/10.14421/bie.2023.022-01>



This is an open access article under the CC-BY-SA license

Table 2. Panel Data Model Estimation Results

Variable	Pendekatan Estimasi Model		
	<i>Common Effect</i>	<i>Fixed Effec</i>	<i>Random Effec</i>
C	0.0457**	0.0071***	0.0193**
Export	0.0000***	0.0019***	0.0000***
Inflation	0.1242	0.7807	0.0713*
Provincial Minimum Wage	0.0000***	0.0001***	0.0000***
Household Consumption	0.0105**	0.7164	0.0028***
IDI	0.0922*	0.1160	0.0483**
R-squared	0.744670	0.827409	0.744670
F-statistic	45.49730	34.99660	45.49730
Prob (F-statistic)	0.000000***	0.000000***	0.000000***

Description: *) significant at $\alpha = 10\%$; **) significant at $\alpha = 5\%$;) significant at $\alpha = 1\%$.

Source: Processed results data 2023

To determine the best model in research on panel data regression, it is necessary to do the Chow Test, Hausman Test, and Lagrange Multiplier Test.

Chow Test

This test is carried out to select the best model between CEM or FEM models by looking at the probability value of Chi-Square. If the value of the probability is lower than alpha 5% then the FEM model is the best model to apply. However, if the probability value is greater than alpha 5%, then the best model is the CEM model.

Table 3. Chow Test Results

<i>Effect Test</i>	<i>Statistic</i>	<i>d.f.</i>	<i>Prob.</i>
<i>Cross-section F</i>	6.999219	(5.73)	0.0000
<i>Cross-section Chi-square</i>	32.897391	5	0.0000

Source: Processed results data 2023

Table 3 shows that the probability has a value of $0.0000 < 5\%$, so it can be decided that the best model to use is the *Fixed Effect Model* (FEM).

Hausman Test

This test is carried out to select the best model between FEM or REM models by looking at the *chi-square* probability value. If the value of the *chi-square probability* $< 5\%$ then the FEM model is the best model to apply. However, if the probability value is $> 5\%$, then the best model is the REM model.

Table 4. Hausman Test Results

<i>Test Summary</i>	<i>Chi-Sq. Statistic</i>	<i>Chi-Sq. d.f.</i>	<i>Prob.</i>
<i>Cross-section random</i>	34.996093	5	0.0000

Source: Processed results data 2023

Table 4 shows that the probability of a chi-square having a value of $0.0000 < 5\%$, then the REM model is rejected, and FEM is accepted So it can be concluded that the best model to use is the *Fixed Effect Model* (FEM).

Table 5. Classical Assumption Test Results

Test	Value	Result
Jarque-Bera	2.913 > 0.05	Normal
Durbin-Watson Stat	1.175772 $< dL$ (1.5219)	Autokorelasi Positif

Source: Processed results data 2023

Table 6. Multicollinearity Test

	EX	INF	UMP	KR	IDI
EX	1	-0.026795	0.130154	0.107686	-0.095314
INF	-0.026795	1	-0.279518	-0.278034	-0.180010
UMP	0.130154	-0.279518	1	0.943649	0.607880
KRT	0.107686	-0.278034	0.943649	1	0.657906
IDI	-0.095314	-0.180010	0.607880	0.657906	1

Source: Processed results data 2023

Table 6 illustrates that there are two variables that have a coefficient value of more than 0.85, namely the provincial minimum wage and household consumption. If there is a variable that has a coefficient value of more than 0.85, it can be concluded that there is a multicollinearity problem in the regression model.

Tabel 7. Uji Heteroskedastisitas

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	5588.330	6224.700	0.897767	0.3721
EX	0.129692	0.064714	2.004068	0.0485
INF	476.4479	265.9186	1.791706	0.0771
UMP	0.005372	0.001892	2.839672	0.0058
KRT	-0.005111	0.003332	-1.533780	0.1291
IDI	-76.08893	92.34486	-0.823965	0.4125

Source: Processed results data 2023

Table 7 displays only export variables and provincial minimum wages that have values of probability less than 0.05. This can mean that the other 3 variables have a probability value of more than 0.05. So it can be concluded that there is a heteroscedasticity problem in this regression model.

From the results of the classical assumption test above, it can be concluded that of the 4 classical assumption tests performed, only the normality test passed the test while the other 3 tests did not pass. If the tests that have been carried out cannot meet the tests with the OLS method, the resulting regression will be biased. The solution to overcome this problem is to replace the OLS method with the *Generalized Least Square* or GLS method with a *Cross-Section SUR* balance that is considered capable of overcoming problems caused by not passing the classical assumption test (Wau et al., 2022).

Hypothesis Test Results

Table 8. F-Simultaneous Test Results

F-statistic	Prob(F-statistic)
162.8598	0.0000

Source: Processed results data 2023

Table 8 shows a probability value of 0.0000 below 0.05 which means that the variables of exports, inflation, provincial minimum wage, household consumption, and the Indonesian democracy index simultaneously affect the variables of Domestic Investment in 6 Provinces on the island of Java.

Table 9. Fixed Effect Cross-Section Results

Variable	Coefficient	t-Statistic	Prob.
EX	1.017314	5.586956	0.0000
INF	-80.59377	-0.500736	0.6181
UMP	0.019458	10.24747	0.0000
KRT	-0.006728	-1.762037	0.0822
IDI	215.4669	2.786811	0.0068
Sum squared resid	79.04924		
Prob(F-statistic)	0.00000		
R-squared	0.957099		

Source: Processed results data 2023

*Corresponding Author

✉ 20108010085@student.uin-suka.ac.id (V. Rahmawati), muhammad.wibowo@uin-suka.ac.id (M. G. Wibowo).

🌐 <https://doi.org/10.14421/bie.2023.022-01>



This is an open access article under the CC-BY-SA license

T-static test (Partial Test)

From table 9 above, it can be concluded that the export probability value of $0.0000 < 0.05$ so that H1 is accepted, meaning that the export value has a significant effect on the positive direction of domestic investment variables. Furthermore, the probability value of the inflation variable is $0.6181 > 0.05$ so that H0 is accepted, meaning that the inflation value does not have a significant and negative influence on the PMDN variable. The probability value of the provincial minimum wage variable is $0.0000 < 0.05$ so that H3 is accepted, meaning that the value of the Provincial Minimum Wage has a significant effect in a positive direction on the PMDN variable. Then the probability value of the household consumption variable is $0.0822 < 0.10$ so that H4 is accepted, meaning that the value of Household Consumption has a significant effect in a negative direction on the PMDN variable. The last is the Indonesian democracy index variable which has a probability value of $0.0068 < 0.01$ so that H5 is accepted, meaning that the value of the Indonesian Democracy Index has a significant effect on the positive direction of the Domestic Investment variable.

Test Coefficient of Determination (R2)

The results of the coefficient of determination test in table 9 show that *the R-squared value of 0.957099* means that 95.7% of the variables of exports, inflation, provincial minimum wage, household consumption, and the Indonesian democracy index are able to explain the dependent variable, namely domestic model planting in 6 provinces in Java Island while 4.3% is explained by other variables outside the model.

Discussion**The Effect of Exports on Domestic Investment (PMDN)**

The export variable has a probability value of 0.0000 with a coefficient of 1.017314. From the results obtained, it can be concluded that exports have a significant and positive influence on domestic investment. This can be interpreted when the export value increases by 1%, this will cause an increase in the value of Domestic Investment by 1.017314. These results are in line with the hypothesis developed by the researcher. This research is relevant to the export-related theory proposed by Keynes that when the value of exports changes, the income obtained by the community also changes.

The results of this study are in line with the results of research conducted by (Sudirman, 2017) and (Murti, 2019) which provide results that exports have a positive and significant effect on PMDN. Both studies have the same results as research conducted by (Faridah, 2020) whose results state that exports have a positive and significant influence on domestic investment or PMDN.

The Effect of Inflation on Domestic Investment

The inflation variable has a probability value of 0.6181 with a coefficient of -80.59377. This can be interpreted when the inflation value increases by 1%, this will cause a decrease in the value of Domestic Investment by 80.59377. These results are not in line with the hypothesis developed by the researcher. According to Keynes, inflation occurs because people increase their standard of living beyond their means. At this time, the state of demand for the good exceeds the available output, so the price of the good also increases.

The results of this study are in line with the results of research conducted by Priadi & Andriyani (2021) that the inflation value does not have a significant and negative influence on the realization of PMDN. Research conducted by Murdo et al., (2023) provides similar results, namely inflation does not have a significant effect on PMDN. Similarly, research conducted by Faridah (2020), Tarigan (2021), (Juliantari & Setiawina, 2015), and Marsela (2014) found that inflation does not have a significant and negative influence on PMDN.

The Effect of the Provincial Minimum Wage on Domestic Investment (PMDN)

The provincial minimum wage variable has a probability value of 0.0000 with a coefficient of 0.019458. This can be interpreted when the value of the provincial minimum wage increases by 1%, this will lead to an increase in the value of Domestic Investment by 0.019458. These results are in line with the hypothesis developed by the researcher. According to Keynes, an increase in the level of wages

will cause an increase in the level of consumption, although not as large as an increase in the value of wages.

The results of this study are in line with the results of research conducted by Hanum & Sarlia (2019) where the study provides results that the level of wages has a significant and positive effect on public consumption in the investment sector. Research conducted by Fahrunnisa (2018), and Briwantara (2018) also provides the same results, namely the provincial minimum wage has a positive and significant effect on private investment. Then research conducted by (Sugiharto, 2014) gave results that in the long run, the increase in the provincial minimum wage had a significant and positive influence on PMDN.

The Effect of Household Consumption on Domestic Investment (PMDN)

The household consumption variable has a probability value of 0.0822 with a coefficient of -0.006728. This can be interpreted when the value of household consumption increases by 1%, this will cause a decrease in the value of Domestic Investment by 0.008510. These results are in line with the hypothesis developed by the researcher.

According to the theory put forward by J.M. Keynes about consumption, the influence of the level of household per capita expenditure on investment has an influence that varies depending on economic and social factors. If the level of consumption of goods and services carried out by the community is high, the wages obtained will run out for these activities so that there are no other funds to invest. This makes excessive household consumption of goods and services have a negative influence on investment value (Mankiw, 2006: 447). In the book written by (Mankiw, 2006) the relationship between consumption, income, and savings is mathematically written $S = Y - C$ so savings will increase when consumption is smaller than income. The equation is equal to $I = Y - C$. Mankiw argues that saving and investing have the same essence but are two different things. Savings have less risk than investment, the profit is also smaller than investment. But savings have a positive influence on investment.

Judging from research conducted by previous researchers, the results of this study are in line with the results of research conducted by Setiawan & Amar (2022) providing results that savings negatively affect people's consumption. So the study assumes that when the level of wages earned is the same, if households want to increase

Savings/investment then current consumption must be reduced in order to have money left to save. The research is in line with research conducted by Kasiang et al., (2018) that consumption has a significant and negative relationship with people's savings.

The Effect of the Indonesian Democracy Index on Domestic Investment (PMDN)

The household consumption variable has a probability value of 0.0068 with a coefficient of 215.4669. This can be interpreted when the value of the Indonesian democracy index increases by 1%, this will cause an increase in the value of Domestic Investment by 215.4669. These results are in line with the hypothesis developed by the researcher.

In the book written by Olivier Blanchard & David R. Johnson (2014) there is an equation to see the economic equilibrium, namely $Y = C + I + G + (X - M)$ where investment has a positive influence on economic growth. When the realization value of investment increases, economic growth also increases. According to Djoko Suyanto, former Minister of Political, Legal and Security Affairs in the era of the Second United Cabinet, believes that there are several things that need to be done to make Democracy in Indonesia better, namely must prioritize the welfare and security of the people by accommodating all people's aspirations, being able to eradicate corruption, improving public services, being able to choose leaders who can provide solutions to problems that are happening in Indonesia, and able to choose leaders who have a high spirit of patriotism.

The results of this study are in accordance with research conducted by Putri & Triani (2021) which provides results that there is a positive relationship between democracy and economic growth. Research conducted by Damanik & Lubis (2022) which provides results that democracy has a positive influence

*Corresponding Author

✉ 20108010085@student.uin-suka.ac.id (V. Rahmawati), muhammad.wibowo@uin-suka.ac.id (M. G. Wibowo).

🌐 <https://doi.org/10.14421/bie.2023.022-01>



This is an open access article under the CC-BY-SA license

on economic growth. Research according to Zouhaier & Karim (2012) provides similar results that democracy has a positive influence on economic growth.

Conclusion

Based on research that has been carried out using panel data processing techniques with the Generalized Least Square method, the model chosen is Fixed Effect Cross-Section SUR using bound variables, with Domestic Investment as well as independent variables in the form of Exports, Inflation, Provincial Minimum Wage, Household Consumption, and the Indonesian Democracy Index, it can be concluded that export variables, provincial minimum wages, and the Indonesian Democracy Index has a significant and positive influence on PMDN. In addition the inflation variable has a negative and insignificant influence on PMDN. Meanwhile, household consumption has a significant and negative influence on PMDN in 6 provinces in Java. Simultaneously, export variables, inflation, provincial minimum wage, household consumption, and the Indonesian democracy index affect the variables of Domestic Investment in 6 Provinces in Java.

References

- Adib., Idris., & Triani, M. (2016). Analisis pengaruh demokrasi, indeks gini dan upah minimum provinsi terhadap pertumbuhan ekonomi di Indonesia. *Journal Ecosains*, 8(1), 67–76.
- Adnyana, I. M. (2020). Manajemen Investasi dan Portofolio.
- Agustina, A., & -, R. (2014). Pengaruh ekspor, impor, nilai tukar rupiah, dan tingkat inflasi terhadap cadangan devisa Indonesia. *Jurnal Wira Ekonomi Mikroskil*, 4(2), 61–70. <https://doi.org/10.55601/jwem.v4i2.214>
- Amani, S. Z. (2018). Analisis faktor-faktor yang mempengaruhi penyerapan tenaga kerja pada industri manufaktur besar dan sedang di Provinsi Jawa Timur tahun 2011-2015. *Jurnal Ilmiah Universitas Brawijaya*, 1(1), 1–14.
- Arianti, F., & Mauzi, M. N. (2013). Analisis pengaruh penanaman modal asing dan penanaman modal dalam negeri terhadap pertumbuhan ekonomi: di Jawa Tengah 1990-2010. *Diponegoro Journal of Economics*, 2(1), 1–9. <https://ejournal3.undip.ac.id/index.php/jme/article/view/1967>
- Astuti, W. P. (2019). Manfaat ekspor dan impor di Indonesia. https://www.google.co.id/books/edition/Manfaat_Ekspor_dan_Import_di_Indonesia/EkH-DwAAQBAJ?hl=id&gbpv=1&dq=ekspor+dan+import&printsec=frontcover
- Azwar. (2016). Peran alokatif pemerintah melalui pengadaan barang/jasa dan pengaruhnya terhadap perekonomian Indonesia. *E-Journal Fiskal Kemenkeu*, 20(2). <http://fiskal.kemenkeu.go.id/ejournal>
- Badan Pusat Statistik. (2010). Indeks Demokrasi Indonesia 2010. <http://idiproject.org/index.php/en/download/finish/2/4>
- Bakti, U., & Alie, M. S. (2018). Pengaruh inflasi dan suku bunga terhadap investasi di Provinsi Lampung periode 1980-2015. *Jurnal Ekonomi*, 20(3), 275–285.
- Blanchard, Olivier dan David R. Johnson. (2017). *Macroeconomics*. Jakarta: Penerbit Erlangga.
- BR Silitonga, R., Ishak, Z., & Mukhlis, M. (2019). Pengaruh ekspor, impor, dan inflasi terhadap nilai tukar rupiah di Indonesia. *Jurnal Ekonomi Pembangunan*, 15(1), 53–59. <https://doi.org/10.29259/jep.v15i1.8821>
- Cahyono, A. (2015). Analisis faktor faktor yang mempengaruhi penyerapan tenaga kerja di eks karesidenan surakarta tahun 2006-2013. *Universitas Muhammadiyah Surakarta*.
- Damanik, D., & Lubis, I. (2022). Analisis pengaruh demokrasi, jumlah penduduk, dan indeks pembangunan manusia terhadap pertumbuhan ekonomi di Pulau Sumatera. *Seminar Nasional Pariwisata Dan Kewirausahaan (SNPK)*, 1, 503–515. <https://doi.org/10.36441/snpk.vol1.2022.80>
- Dr. Vladimir, V. F. (1967). *Gastronomia. Gastronomia Ecuatoriana y Turismo Local.*, 1(69), 5–24. *E-jurnal, T., Usaha, E., Pendapatan, D. A. N., Perhiasan, P., & Kabupaten, D. I.* (2019). *Template E-Jurnal EEP INDEXED by Fakultas Ekonomi dan Bisnis Universitas Udayana (Unud), Bali, Indonesia. 1915–1946.*
- Ekonomi, P., Putri, L. M., & Triani, M. (2021). *Jurnal Kajian Ekonomi dan Pembangunan*. 3(March), 17–24.
- Fahrnisa, D. (2018). Pengaruh pertumbuhan industri makanan dan minuman, iklim investasi, Upah

- Minimum Provinsi (UMP), dan infrastruktur terhadap investasi swasta di Provinsi Sumatera Selatan Tahun 2011-2016. *UIN Raden Fatah Palembang*.
- Ghozi, S., & Sunindy, A. (2016). *Statistik Deskriptif Untuk Ekonomi*. Yogyakarta: Deepublish.
- Hazmi, D., Ayu, F., & Kamarni, N. (2021). Penanaman modal asing dan demokrasi: analisis data panel Provinsi-Provinsi di Indonesia. *Jurnal Paradigma Ekonomika*, 16(2), 335–342. <https://doi.org/10.22437/jpe.v16i2.12190>
- Hidayanti, S. K., Jenahar, T. J., & Oemar, H. (2017). *Ecoment Global*. 2, 57–62.
- Issues, F., Zouhaier, H., & Karim, K. M. (2012). *Democracy, Investment and Economic Growth*. 2(3), 233–240.. (2016). *Kajian Ekonomi & Keuangan*. 20(2).
- Juliantari, D. P. E., & Setiawina, N. D. (2015). Analisis Pengaruh Kurs Dollar Amerika Serikat, Inflasi dan Penanaman Modal Asing Terhadap Nilai Ekspor Makanan dan Minuman Di Indonesia. *E-Jurnal Ekonomi Pembangunan Universitas Udayana*, 4(12), 1507–1529.
- Saraswati, S., & Rahmawati, E. (2021). Pengaruh Konsumsi Rumah Tangga Dan Investasi Terhadap Pertumbuhan Ekonomi Indonesia Tahun 2010-2019. *Journal of Economics and Business UBS*. 11(1), 2302-8025.
- Kasiang, P. I., Rumat, V., & Maramis, M. T. B. (2018). Faktor-Faktor Yang Mempengaruhi Tabungan Masyarakat Di Kecamatan Tahuna Barat Kabupaten Kepulauan Sangihe. *Journal Berkala Ilmiah Efisiensi*.
- Lubis, A. D. (2010). Analisis Faktor yang Mempengaruhi Kinerja Ekspor Indonesia. *Buletin Ilmiah Litbang Perdagangan*, 4(1), 1–13.
- Mankiw, N. Gregory. 2006. *Makroekonomi*. Edisi Keenam. Jakarta: Penerbit Erlangga, 75-113.
- Marsela, N. M. T. (2014). Pengaruh Tingkat Inflasi, Pdrb, Suku Bunga Kredit, Serta Kurs Dollar Terhadap Investasi. *E-Jurnal Ekonomi Pembangunan Universitas Udayana*, 3(3), 77-87.
- Martha, J., Bainus, A., & Heryadi, D. (2015). Pengaruh pelaksanaan demokrasi terhadap kesejahteraan: teori dan realita (Studi Kasus: Indonesia). *JIPSI - Jurnal Ilmu Politik Dan Komunikasi UNIKOM*. <http://www.ysps.am/index.php?id=52&m=18>
- Muhammad Syaikh, A., & Haryati, T. (2018). Analisis pengaruh inflasi, suku bunga kredit, tenaga kerja, teknologi terhadap investasi di Indonesia. *Economics Development Analysis Journal*, 6(1), 8–15. <https://doi.org/10.15294/edaj.v6i1.22195>
- Murdo, I. T., Affan, J., Albertus, R. H., & Hardoko. (2023). Diperkembangan penanaman modal dalam negeri. 6(1), 324–339.
- Murti, T. H. (2019). Pengaruh Investasi terhadap Pertumbuhan Ekonomi Regional di Indonesia Tri Handayani Murti 1* , Sahara 2 1,2. 8(2), 163–181.
- Norlita, V. (2018). Pengaruh investasi, tenaga kerja, dan infrastruktur terhadap pertumbuhan ekonomi di Pulau Jawa tahun 2006-2015. *E-Jurnal Pendidikan dan Ekonomi Universitas Negeri Yogyakarta*, 7(2), 194-203. Title. (2018).
- Permata, D., Putri, T., Wina, E., Damayanti, A., & Sianturi, I. (2021). Pengaruh covid-19 terhadap kegiatan ekspor impor di Indonesia. 2(2), 169–174.
- Priadi, B., & Andriyani, D. (2021). Analisis pengaruh pdb, ekspor pertanian, suku bunga dan inflasi terhadap investasi pmdn pada sektor pertanian di Indonesia Tahun 2010-2019. *Jurnal Ekonomi Pertanian Unimal*, 4(2), 40. <https://doi.org/10.29103/jepu.v4i2.6021> Tenaga Kerja Di Eks .
- Puspita, S. N., Maryani, S., & Purwantho, H. (2021). Analisis Faktor-Faktor Yang Mempengaruhi Penyerapan Tenaga Kerja Di Provinsi Jawa Tengah. *Jurnal Ilmiah Matematika Dan Pendidikan Matematika*, 13(2), 141. <https://doi.org/10.20884/1.jmp.2021.13.2.4546>
- Putri, A. (2023). Analisis pengaruh variabel makroekonomi dan covid-19 terhadap Indeks Saham Syariah Indonesia (ISSI) periode 2012-2022. Skripsi. *UIN Sunan Kalijaga Yogyakarta*.
- Radifan, F., Mahardika, P., Saputra, A., Ekonomi, P. S., Perbankan, K., & Ekonomi, F. (2022). Csefb 01.03.2022. 1(3), 532–545.
- Raharusun, J. H. (2021). Makna Kerja Menurut Karl Marx (Sebuah Kajian dari Perspektif Filsafat Manusia). *MEDIA: Jurnal Filsafat Dan Teologi*, 2(1), 121–144.
- SANTI, N. (2019). Demokrasi dan pertumbuhan ekonomi di Indonesia. <http://digilib.unila.ac.id/60083/>

*Corresponding Author

✉ 20108010085@student.uin-suka.ac.id (V. Rahmawati), muhammad.wibowo@uin-suka.ac.id (M. G. Wibowo).

doi <https://doi.org/10.14421/bie.2023.022-01>



This is an open access article under the CC–BY–SA license

- Setiawan, D., & Amar, S. (2022). Analisis pengaruh pendapatan, tabungan dan konsumsi tahun sebelumnya terhadap konsumsi masyarakat di Indonesia. *E-Journal Kajian Ekonomi dan Pembangunan*, 4(1), 85-92.
- Sudirman, D. (2017). Analisis pengaruh tenaga kerja, ekspor dan inflasi terhadap penanaman modal dalam negeri (PMDN) Kalimantan Tengah. *AI – Ulum Ilmu Sosial Dan Humaniora*, 3(1), 343–356.
- Sukirno, Sadono, 2013. Makroekonomi : Teori Pengantar. Jakarta : PT. Raja Grafindo Persada.
- Sugiharto, L. W. (2014). Dinamika PMA dan PMDN di Indonesia sebagai dampak dari upah minimum, inflasi, dan PDRB tahun 2004-2012: pendekatan dynamic panel data model. XVII(3), 119–140.
- Sumanto, A. (2016). Pengaruh kredit investasi dan kredit modal kerja terhadap kesejahteraan masyarakat kabupaten/kota di Jawa Timur. *Jurnal Ekonomi Dan Ekonomi Studi Pembangunan*, 8(1), 40–49. <https://doi.org/10.17977/um002v8i12016p040>
- Suseno, & Astiyah, S. (2010). Seri kebanksentralan no. 22 - Inflasi. Bank Indonesia, 22(22), 1–68. <http://ipief.umy.ac.id/wp-content/uploads/2020/02/22.-Inflasi.pdf> fangga, R., Karet, P., K
- Tarigan, C., Rotinsulu, T. O., Tolosang, K. D., Tarigan, C., & Ekonomi, J. (2021). Analisis faktor-faktor yang mempengaruhi investasi PMDN di Provinsi Sulawesi Utara pada tahun 2003-2018 analysis of factors affecting PMDN investment in North Sulawesi Province. *Jurnal EMBA*, 9(2), 516-522. Iakngnasional adalah suatu proses dimana peme
- Ulfiyati, Lambey, L., & Walandouw, S. K. (2017). Analisis perbedaan struktur kepemilikan asing dan struktur kepemilikan domestik pada perusahaan pertambangan di Bursa Efek Indonesia. *Jurnal EMBA: Jurnal Riset Ekonomi, Manajemen, Bisnis dan Akuntansi*, 5(2), 2260–2267.
- Wau, T., Sarah, U. M., Pritanti, D., Ramadhani, Y., & Ikhsan, M. S. (2022). Determinan Pertumbuhan Ekonomi Negara ASEAN : Model Data Panel Determinants of Economic Growth of ASEAN Countries : Panel Data Models. 13(28), 163–176. <https://doi.org/10.33059/jseb.v13i2.5205.Kata>
- Widarjono, A. (2018). Ekonometrika: Pengantar dan Aplikasinya Disertai Paduan Eviews (Edisi Kelima). UPP STIM YKPN.
- Yudanto, R., & Nugroho. (2021). Analisis hubungan indeks kebebasan sipil, indeks hak-hak politik, indeks lembaga demokrasi, dan indeks gini dengan pertumbuhan ekonomi Indonesia Tahun 2015-2019. *Jurnal Kalacakra UNTIDAR*, 02(02), 91-96.
- Zulfa, M., Lisa, A., Panca, A., Nurul, W., & Nata, A. (2019). Demokrasi Indonesia. 4.