

**THE DETERMINANTS OF FOREIGN DIRECT INVESTMENT  
(FDI) IN BANTEN PROVINCE IN 2011-2015**

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## **The Determinants of Foreign Direct Investment (FDI) in Banten Province in 2011-2015**

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### **ABSTRACT**

This study aims to analyze the factors that determine foreign direct investment in Banten Province in the period of 2011-2015. Those factors are economic growth, regional minimum wage, and labor force. The data used in this research is secondary data from central bureau of statistics (BPS) and investment coordinating board (BKPM) of Banten province 2011-2015. The analysis used in this study is panel data analysis with fixed effect model. The sample data is the data from three regions and four cities in the province of Banten in the period of 2011-2015. The result of the analysis shows that the foreign direct investment in Banten province has been significantly influenced by economic growth and regional minimum wage. Economic growth and regional minimum wage give positive impact toward foreign direct investment. Meanwhile, labor force does not significantly affect the foreign direct investment in Banten province

**Keywords:** *FDI, Economic growth, Regional minimum wage, labor force.*

## **Faktor-Faktor yang Mempengaruhi Penanaman Modal Asing di Provinsi Banten Tahun 2011-2015**

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Penelitian ini bertujuan untuk menganalisis faktor-faktor yang menentukan penanaman modal asing di Provinsi Banten pada periode 2011-2015. Faktor-faktor tersebut adalah pertumbuhan ekonomi, upah minimum regional, dan angkatan kerja. Data yang digunakan dalam penelitian ini adalah data sekunder dari badan pusat statistik (BPS) dan Badan Koordinasi Penanaman Modal (BKPM) Provinsi Banten 2011-2015. Analisis yang digunakan dalam penelitian ini adalah analisis data panel dengan model fixed effect. Data yang digunakan adalah data dari tiga kabupaten dan empat kota di Provinsi Banten pada periode 2011-2015. Hasil analisis menunjukkan bahwa penanaman modal asing di Provinsi Banten telah dipengaruhi secara signifikan oleh pertumbuhan ekonomi dan upah minimum regional. Pertumbuhan ekonomi dan upah minimum regional memberikan dampak positif terhadap penanaman modal asing. Sementara itu, tenaga kerja tidak berpengaruh signifikan terhadap penanaman modal asing di provinsi Banten

**Kata kunci:** *PMA, Pertumbuhan ekonomi, upah minimum regional, angkatan kerja.*

## **INTRODUCTIONS**

Economic growth can be defined as the process of development of activities in the economy that cause increasing of goods and services which is produced in society. Economic growth is a process of changing a country's economic conditions in a sustainable way to a better state for a certain period. The economic growth which is rapidly growing continuously is the main condition for economic development. High economic growth will have a positive impact on economic development and welfare. The total number of people increasing every year, so the daily consumption needs also increasing, so it needs more revenue every year (Tambunan, 2011).

Good economic growth in a region has a good impact on economic development. The success of economic development in a region can be seen from its high economic growth. Therefore, each region sets up an elevated level of economic growth in the planning to realize economic development in its area. High sustainable economic growth is the main condition for the sustainability of economic development (Boediono, 1999). Development has the purpose to improve people's welfare and development always strives to create high regional economic growth.

According to Indah and Didit (2005) in Zaenuddin (2009) the development and economic growth in developing countries cannot be separated from the role of sources of funds from abroad. This happens because all developing countries cannot cover the needs of funds in the country. A typical problem that should be faced by developing countries is the scarcity of domestic funds (saving gaps) that are normally covered by foreign funds. Funds from abroad can be obtained from foreign debt or foreign direct investment (FDI). Conceptually, foreign direct investment is considered more profitable because it does not need the obligation of return to foreign parties as well as foreign debt. Investment is expected to drive Indonesia's economic growth. Due to the limited funds that owned by the government to drive economic growth, so the role of foreign investment or domestic investment are needed.

In the theory of economic development, it is known that the rate of economic growth and foreign investment has a positive reciprocal relationship. The higher the economic growth of a country, the greater part of the income that can be saved, then the created investment will be greater. In this case, investment is a function of economic growth. On the other hand, the greater the investment of a country, the greater the level of economic growth that can be achieved. Thus, growth is an investment function. In the context of national and regional development, investment has a vital role to promote economic growth (Yonathan, 2001).

Foreign direct investment (FDI) is a long-term investment for a developing country. Foreign direct investment can help economic development in terms of capital development and create jobs. The presence of foreign direct investment

will bring up additional resources. Investment is a necessity for economic development, if the national income of society can increase then the ability of economy to produce goods and services also increase (Suwarno, 2008). Under the foreign investment law of 1967, foreign investment has become a complement to the financing of national development, even in the new foreign investment law of 2007, foreign investment can invest 100% to Indonesia by following some rules set by the government. Thus, foreign investment is not only become complement but also it becomes part of the financing of Indonesia's economic development and will continually improve and enhance national's welfare.

Foreign direct investment is a crucial factor to promote and encourage growth in the national and regional economy. According to Putri (2014) foreign direct investment has a significant positive effect on economic growth in Java island. The realization of FDI in Java island is dominated by West Java, Jakarta and Banten, then following by East Java, Central Java and Yogyakarta. It is interested to be discussed about Banten province, because Banten is the youngest province among them which has included to one of the three provinces that have domination in realization of FDI in Java island.

Banten province is the 30th province in Indonesia that established based on Law Number 23 Year 2000 concerning on formation of Banten province dated 17th October 2000. Although Banten is the youngest provinces in Java Island but economically, Banten is very potential for investment activities because there are many industrial factories, beautiful tourism places, mining industries, agribusinesses and agroindustry. The opportunity of investment in Banten are very huge especially in term of industrial sector, as they are supported by adequate access, such as Soekarno-Hatta International Airport, Merak Port, Jakarta-Merak Freeway to Tanjung Priok Port, and Jakarta-Merak Railway.

Economic growth in Banten province is inseparable from foreign direct investment. However, there are several issues is happened toward FDI in Banten, such as the condition of FDI is not evenly distributed in all sectors. the realization of foreign direct investment in Banten province approximately still dominated by industrial and mining sector which is located in some regions in north of Banten, while other sectors located in south of Banten such as fishery, forestry, farms and plantation obtain less fund from foreign investment.

Uneven distribution of the realization of FDI is one of the issue that give the impact to the total of the realization of foreign direct investment in Banten province. Based on the data from investment coordinating board (BKPM) the total of realization of foreign direct investment in Banten province during 2011-2015 tend to fluctuate.

To stabilize and maximize the realization of foreign direct investment, Banten government should know the factors that influence the foreign direct investment. The factors that influence foreign direct investment is needed to analyze, because it will help the government to make the good policy to solve the uneven distribution issues and another issue that caused the fluctuation of the

realization of foreign direct investment. Based on the description above, this study is intended to examine the determinants of foreign direct investment (FDI) in Banten Province; they are Economic Growth, Regional Minimum Wage and Labor Force.

## LITERATURE REVIEW

In finding the variables and analysis in this research, it is necessary referring to previous researches that discussed about the factors that determine foreign direct investment in national, provincial and regional.

The research conducted by Zaenuddin (2009) entitled "*Analisis Faktor-Faktor yang Mempengaruhi Investasi PMA di Batam*" The research is aimed to analyze factors influencing investment decisions in Batam. Secondary quantitative data are used to analyze the determinant factors of FDI in a certain industrial estate. Ordinary Least Square (OLS) method are employed and using panel data of 16 industrial areas for 3 years (2005-2007). The dependent variable is FDI /investment plan. The Independent variables are rental rate, maintenance fee, labor supply, export value and electricity. The result of regression analysis revealed that the variable of maintenance fee, labor and export influence the FDI in Batam. While variable of rental rate and electricity do not have significant effect.

Fahmi (2013) conducted a research entitled "*Analisis Faktor-Faktor yang Mempengaruhi Investasi Asing Langsung (FDI) di Pulau Jawa*" This study used panel data covering six provinces in Java Island in 2001-2011. Independent variables used include the rate of inflation (IFL), gross regional domestic product (GRDP), density of road infrastructure (GDI), and the provincial minimum wage (UMP), while the dependent variable used is foreign direct investment (FDI). Analysis of panel data revealed that the rate of inflation, gross regional domestic product and the density of road infrastructure had a positive effect on foreign direct investment, while the provincial minimum wage has no significant impact on foreign direct investment.

Hoang and Bui (2015) held a research entitled "*Determinants of foreign direct investment in ASEAN: A panel approach*". This study aimed to analyze the factors of FDI inflows in ASEAN countries over the period 1991 to 2009 by using panel data. The results showed that the market size, trade openness, quality infrastructure, human capital, labor productivity are the main factors that have positive impacts on FDI inflows. Additionally, exchange rate policy, real interest rate, political risk and corruption also affect FDI inflows. Surprisingly, the cheap labor does not help to attract FDI to the region, because foreign investors are particularly interested in labor productivity. This study also shows that the Asian monetary crisis in 1997 affected the amount of FDI inflows, but not on the nature of FDI inflows in the region.

## **Foreign Direct Investment**

Foreign investment is an activity to transform the potential resources into one of the strengths of the real economy. The meaning of resources in this context are local resources which is processed and used to increase the prosperity of all people fairly and equitably, so that the development can be run well. Based on the law of the Republic of Indonesia No. 1 Year 1967 that concerned with Foreign Investment. Article 1 stated that: "The definition of investment in this law is investment which is conducted directly under the provisions of this law and it used to explain the companies in Indonesia". It has meaning that the owner of direct investment should bear the risk of that investment. While according to the law of the Republic of Indonesia No. 25 of 2007 on investment, foreign investment is an investment activity to conduct business in the territory of the republic of Indonesia that conducted by foreign investors, whether using the full of foreign capital or in association with domestic investors.

## **The Factors That Influence Foreign Direct Investment (FDI).**

The main determinants of investment are interest rates and returns on capital or profits, other factors affecting investments are forecasts about future economic conditions, technological advances, national income levels and corporate profits (Sukirno 2005). The economic conditions in region can be measured by economic growth and regional minimum wage, while According to Alan M. Rugman theory, the factors influencing of foreign direct investment in term of economy are labor, capital, natural resources, and management skills.

## **Economic Growth**

Economic growth can be defined as the process of development of activities in the economy that caused increasing of goods and services which is produced in society. Economic growth is a process of changing a country's economic conditions in a sustainable way to a better state for a certain period. The economic growth that is rapidly growing continuously is the main condition for economic development, high economic growth will have a positive impact on economic development and welfare. The total number of people increasing every year, so the daily consumption needs also increasing, so it needs additional revenue every year (Tambunan, 2011).

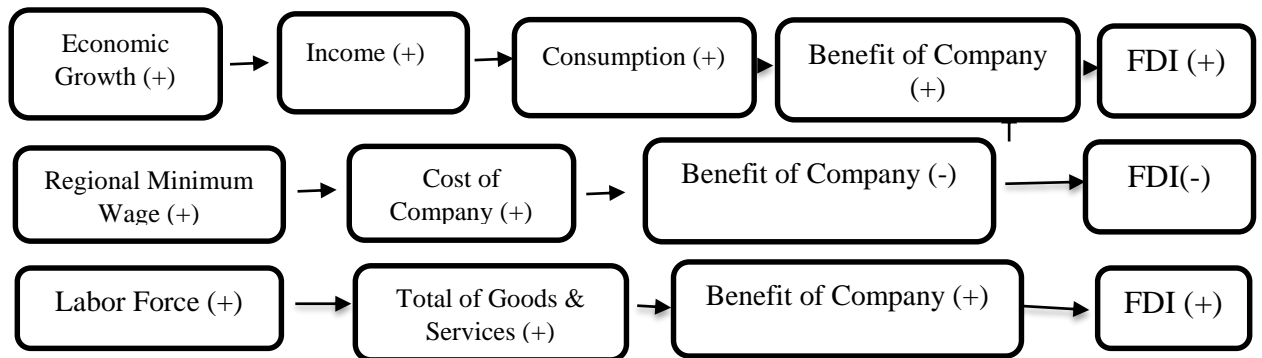
GRDP is the total value added of goods and services generated from all economic activities throughout the region within a given period generally in one year. Gross Regional Domestic Product (GRDP) reflects the economic growth of a region. Economic growth is an increasing the capacity in the long term of the country that concerned to provide various economic goods to its population. Increasing capacity is decided by advances and adjustments of technology, institution and ideology toward various existed demands (Todaro, 2000).

## Labor Force

Based on BPS, labor is working age population that are 15 years old or older who work or have a job but temporarily not working, and who are looking for a job. According to Simanjuntak (1985) labor is the population who have already been working or are working, looking for work and who are doing other activities such as studying and taking care of the household. The people those looking for work, studying and taking care of the household, although not working, they are physically able to work at any time.

## Framework for Thinking

The framework of this research can be explained through the following picture.



## Type of Study

The type of study conducted by the researcher is quantitative research. This research uses quantitative method by generating numerical data or data that can be transformed into useable statistics. The type of data in this research is secondary data, the researcher reuses information as secondary data because it is accessible and more efficient to collect. Secondary data is data obtained directly from the source, such as a quote from the books, literature, reading scientific journals, which have relevance to the theme of the research. In this research, secondary data obtained through the central bureau of statistics, website (<https://banten.bps.go.id>) and investment coordinating board, website (<http://bionline.bkpm.go.id>)

Data used in this research are:

- Foreign direct investment data of Banten province by districts 2011-2015.
- Economic growth data which is processed from real gross domestic product data of Banten province by districts 2011-2015.
- Labor Force data of Banten province by districts 2011-2015.
- Regional Minimum wage data of Banten province by districts 2011-2015.



## **Data Collection Method**

Method of collecting data that used in this research is the study of the literature. It is an attempt to obtain data by studying and analyzing the literature books and processed data. The collections of data in this study are intended to obtain materials that are relevant and accurate. The data used are secondary data by using a data collection method in studies of original documents from the BPS, BKPM as well as other library resources related with the research.

## **Research Variable**

This research contains of independent variable and dependent variable. Dependent variable in this research is Foreign Direct Investment (FDI) of Banten province, Banten province consists of four regencies and four cities. The regencies are, Pandeglang, Lebak, Tangerang, and Serang, while the cities are, Tangerang city, Cilegon city, Serang city, and South Tangerang city, However because of uncomplete data of realization FDI In Pandeglang regency then the dependent variable and independent variable in this research consists of three regions and four cities in Banten province, and the independent variables are economic growth (%), labor force (person), and minimum wage (IDR). Dependent variable is foreign direct investment. Foreign direct investment is the total of foreign investment approved by the government according to the activities of the economic sector in Banten province. The data used in this research is taken from the data released by Investment Coordinating Board (BKPM) of Banten province that stated in form of thousand US Dollars.

## **Analysis Technique**

The processing of secondary data that have been collected from various sources is using some statistical program packages, such as Microsoft Excel 2013 and Eviews 9.0. In processing data activities, Researcher used Microsoft Excel 2013 to create tables and to analysis the data. Meanwhile, in the processing of regression data panel, the researcher used program package Eviews 9.0.

This research using data panel, data panel regression has three standard estimation models, they are Polled Regression (Common Effect Model), Fixed Effect Model (Least Square Dummy Variable), and Random Effect Model.

## **Selection Panel Data Estimation Model**

### **a. Chow Test**

Chow test or F-test Statistics is used to figure out whether data regression techniques panel with fixed effects regression models of panel data without a dummy variable (common side effects) and to see the residual sum of squares (RSS). If the statistic value is greater than the significance level, then the null hypothesis will be rejected. So, the data is better using fixed effect model than common effect model

### **b. Lagrange Multiplier (LM) test**

Lagrange Multiplier (LM) test which is developed by Breusch-Pagan could we used to find out whether a random effects model is better than common effects model. This method is based on the residual value method of common effects. The null hypothesis ( $H_0$ ) that is used is that intercept is not a random or stochastic variable. In other words, the variance of the residual value is zero. If the results of the LM test is greater than the critical value of chi-square statistic, then the null hypothesis will be rejected, it means that exact estimation for regression data panel is a method of random effects rather than the method of common effects.

### **c. Hausman test**

Hausman test can be used to find out the best model among fixed effects and random effects. Hausman test is used to choose the *Fixed Effect Model* (FEM) or *Random Effect Model* (REM). Therefore, it uses *Chi-Squares*. The hypotheses proposed are following:

$H_0$  : *Random Effect Model* (REM) is better than *Fixed Effect Model* (FEM).

$H_1$  : *Fixed Effect Model* (FEM) is better than *Random Effect Model* (REM).

Hausman test statistic follows the Chi Square statistic distribution with a degree of freedom as much as  $k$ , where  $k$  is the number of independent variables. If the value of the Hausman statistic is greater than the critical value,  $H_0$  is rejected and the right model is a model Fixed Effect while conversely if Hausman statistic value is smaller than the critical value, the appropriate model is the model of Random Effect.

## **Hypothesis Testing**

Hypothesis testing are useful for examining or testing whether the regression coefficient obtained significant or not. The intent of this significant is a regression coefficient value which is significantly is not equal to zero. If the slope coefficient is equal to zero, it can be said that there was not enough evidence to declare the independent variables had the effect on the dependent variable. Therefore, all the regression coefficients should be tested.

### **1. T-test**

T-test is individual coefficient test. This test used to know the effect of significance of independent variable individually.

### **2. Coefficient Determinants ( $R^2$ )**

Coefficient determination (Goodness of Fit) is an important measurement in the regression, because it can inform whether the regression model estimated is good. The value of  $R^2$  reflects the extent of the variation of the dependent variable that can be explained by the independent variable  $X$  or how large diversity of the dependent variable that is able to be explained by the model. If  $R^2 = 0$ , then the variation of the  $Y$  cannot be explained by  $X$  altogether and if  $R^2 = 1$  it means a variation of  $Y$  can be described by the  $X$ .

### 3. F-test

F-test is used to perform a test of hypothesis of the regression coefficient (slope) thoroughly/ simultaneously. F-test shows independent variables affect the dependent variables simultaneously.

#### Model

The influence of independent variable toward dependent variable systematically can be described in the following formula:

$$Y_{it} = \beta_0 + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + e_{it}$$

where:

Y : Foreign Direct Investment

X<sub>1</sub>, X<sub>2</sub>, X<sub>3</sub> : Economic Growth (X<sub>1</sub>), Regional Minimum wage (X<sub>2</sub>),  
Labor Force (X<sub>3</sub>)

β<sub>0</sub> : Constanta

β<sub>1</sub>, β<sub>2</sub>, ..., β<sub>n</sub> : The magnitude of the influence of independent variable toward the dependent variable

i : Regions and cities in Banten province

t : Series 2011-2015

e<sub>it</sub> : *error term*

## RESULT AND DISCUSSION

### Panel Data Result

Panel data regression has three standard estimation models, they are Polled Regression (Common Effect Model), Fixed Effect Model (Least Square Dummy Variable), and Random Effect Model. The result of panel data calculation using Eviews are conclude as follow.

The kind of estimation model that used for this research analysis are based on two tests, they are Chow test and Hausman test. Chow test is used to decide the best model between common effect model and fixed effect model, while Hausman test is used to decide the best model between fixed effect model and random effect model. The result of *Chow Test* and *Hausman Test* calculation using Eviews are concluded as follow.

### Chow test

Redundant Fixed Effects Tests

Pool: THESIS

Test cross-section fixed effects

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Effects Test	Statistic	d.f.	Prob.
Cross-section F	25.079143	(6,25)	0.0000
Cross-section Chi-square	68.201698	6	0.0000

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Source : Eviews 9.0

The result of the *Chow test* obtained the probability value is 0.0000 or smaller than  $\alpha = 0.05$ , it means  $H_0$  is rejected. If  $H_0$  is rejected so Fixed Effect Model is better than Common Effect model.

To identify the suitable model estimation for the research, it can continue with *Hausmann test*. In the *Hausman test* result, If the value of probability is smaller than the Hausman statistics value, then the null hypothesis will be rejected, it means that exact estimation for regression data panel fixed effects model is better compared to the random effects model. the decision in rejecting  $H_0$  is carried out by comparing it with Chi square. If the value is  $<0.05$  then  $H_0$  is rejected so the models used are the fixed effects, conversely, if the rejection of  $H_0$  is not significant or do not reject  $H_0$  then model that used was random effect.

### Hausman Test

Correlated Random Effects - Hausman Test

Pool: THESIS

Test cross-section random effects

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Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	14.537981	3	0.0023

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Source : Eviews 9.0

This result showed the value of probability on a cross section random effect test shows the number of probability is 0.0023. It means the Hausman test accept  $H_1$  or p value  $< 0,05$  then the preferred method being used is *fixed effect model*.

## Cross Effect

Regencies	Ci	C+Ci
_LEBAK—C	176510.4	-1995054.6
_TANGERANG--C	583321.7	-1588243,3
_SERANG--C	349840.9	-1821724.1
_TANGERANGCITY—C	-77826.64	-2249391,6
_CILEGONCITY--C	721165.0	-1450400
_SERANGCITY--C	-738189.1	-2909754,1
_TANGSELCITY--C	-1014822.	-3186387

Based on the result of cross effect from fixed effect model shows that Cilegon city has the highest value among others by -1450400 and the lowest value is Tangsel city by -3186387. It means the value of Y (FDI) in Cilegon city is decreased 1,450,400 thousand U.S Dollars when X1, X2 and X3 are zero, and the value of Y (FDI) in Tangsel city is decreased 3,186,387 thousand U.S Dollars when X1, X2 and X3 are zero.

## Hypothesis Testing

From the regression of *Common Effect*, *Fixed Effect* and *Random Effect*, the researcher found the most suitable model to analyze this research is used *fixed effect model*,

Dependent Variable: Y?  
 Method: Pooled Least Squares  
 Date: 03/07/18 Time: 01:34  
 Sample: 2011 2015  
 Included observations: 5  
 Cross-sections included: 7  
 Total pool (balanced) observations: 35

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-2171565.	1003154.	-2.164737	0.0402
X1?	334126.6	70078.09	4.767918	0.0001
X2?	0.355384	0.098040	3.624887	0.0013
X3?	-0.412517	1.146759	-0.359725	0.7221
Fixed Effects (Cross)				
_LEBAK--C	176510.4			
_TANGERANG--C	583321.7			
_SERANG--C	349840.9			
_TANGERANGCITY--C	-77826.64			
_CILEGONCITY--C	721165.0			
_SERANGCITY--C	-738189.1			
_TANGSELCITY--C	-1014822.			

Effects Specification

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Cross-section fixed (dummy variables)

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R-squared	0.867513	Mean dependent var	376564.4
Adjusted R-squared	0.819818	S.D. dependent var	460985.1
S.E. of regression	195678.1	Akaike info criterion	27.44129
Sum squared resid	9.57E+11	Schwarz criterion	27.88567
Log likelihood	-470.2225	Hannan-Quinn criter.	27.59469
F-statistic	18.18871	Durbin-Watson stat	2.553300
Prob(F-statistic)	0.000000		

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## Discussion

### The result of T-test

#### Economic Growth

Based on regression data panel model, the probability of economic growth is 0.0001, it is smaller than 5%, then economic growth is significantly affecting the number of FDI in Banten Province. The regression estimation panel data model obtained the coefficient of economic growth is 334126.6. It means, increasing 1 percent of economic growth will increase 334,126.6 thousand U.S Dollars in foreign direct investment. In other word, economic growth and FDI of Banten province significantly had positive relationship. This result has similarity with the first hypothesis that assume economic growth significantly had positive influenced toward FDI, because when society have high income, it will increase the demand for goods and services, so the company will get high profits and it will encourage investor to invest more in that area.

#### RMW ( Regional Minimum Wage)

According to the data obtained, the result of probability value of regional minimum wage is 0.0013, it is smaller than 5%. It means regional minimum wage significantly had influenced toward FDI in Banten province by significant level under 5%. The regression estimation panel data model obtained the coefficient of regional minimum wage is 0.355384, it means that increasing in 1 IDR of regional minimum wage will increase 355.38 USD of FDI in Banten province. In other words, regional minimum wage and foreign direct investment of Banten province had significant and positive relationship.

This result had no similarity with the first hypothesis that assume regional minimum wage significantly had negative influenced toward FDI in Banten province. This result could be occurred because regional minimum wage is the wage that stated by the regional government in order to protect the labors and

improving the labor's welfare, when minimum wage is increasing, it will increase the labor productivity, high productivity will produce more goods and services and it will increase the companies income, then the investors more interested to invest in that company surrounding area, it happened as long as the wages are still in the balance of production. Thus, regional minimum wage significantly had relationship with foreign direct investment.

This result is supported by Hoang and Bui (2015) in a research entitled "*Determinants of foreign direct investment in ASEAN: A panel approach*" stated that labor productivity are the main factors that have positive impacts on FDI inflows, surprisingly, the cheap labor does not help to attract FDI to the region, because foreign investors are particularly interested in labor productivity.

### **Labor Force**

The panel data regression showed that labor force had no impact to FDI in Banten province with the value of probability is 0.7221, it is greater than 5%. It means, the total number of labor force do not affect the number of FDI in Banten province. Based on the result shown that labor force is not factor in determining foreign direct investment in Banten province, it happens because the condition of investment in Banten is dominated by industrial factors which is focus on capital investment rather than human capital.

This result is supported by the statement of Anzar (2016) in Kusumawardhani (2016) stated that investment in Banten province is dominated by basic chemical industries, metals and energy that include to the capital intensive sector, so increasing the investment in the province has no direct impact on labor force. In capital-intensive sector which is needed and required is skilled labor, and it cannot be fulfilled by educational institutions and other relevant institutions in Banten. Therefore, the company in capital intensive sector hired the skilled labor from other provinces so the local employment is declining.

### **Coefficient Determination R<sup>2</sup>**

Coefficients determination (R<sup>2</sup>) generated by the model is 0.867513, this figure means variable FDI is explained by variable Economic growth (X1), Regional Minimum Wage (X2) and Labor Force (X3) number by 86,75 % and the residual 13,25 % described by the other variables outside the model.

### **F-test**

F test describes the evaluation of the simultaneous effect of independent variables on dependent variable. In the other words, F test is a test to evaluate how the influence of all independent variables together against the dependent variable (significant or not significant). The result from the multiple linear regression estimation value or probability of f-statistic in the number of 0.000000 in  $\alpha$  5%, it is found rejects H<sub>0</sub>. It means that the Economic growth, Regional minimum wage and Labor force number simultaneously have significant effects toward the Foreign Direct Investment in Banten Province 2011-2015.

Therefore, it can be concluded that the best regression equation model are as follows:

$$FDI_{it} = -2171565. + 334126.6 EG_{it} + 0.355384 RMW_{it} - 0.412517 L_{it} + e_{it}$$

FDI : Foreign Direct Investment

EG : Economic Growth

RMW : Regional Minimum Wage

L : Labor Force

i : Regions of Banten province

t : Series 2011-2015

$e_{it}$  : Error term

## CONCLUSION AND RECOMMENDATION

Based on the empirical results and discussion of determinant of foreign direct investment in Banten province from 2011-2015, it can be summed up as follows:

1. Factors that significantly influence foreign direct investment (FDI) of Banten province in 2011-2015 are economic growth and regional minimum wage (RMW).
2. Economic growth had positive impact toward FDI, then increasing in economic growth would have an effect on the increasing in the number of FDI of Banten province in 2011-2015.
3. Regional minimum wage had positive impact toward FDI, then Increasing in regional minimum wage would have an effect on the increasing in the number of FDI of Banten province in 2011-2015.
4. Labor force has no significant impact towards FDI of Banten province in 2011-2015.

Based on the conclusions of the results study, some recommendation given are as follows:

1. Economic growth is the most influential variable toward FDI among other variables and it has essential effect on determinant of foreign direct investment. Therefore, Banten government should maintain it. Because increasing economic growth in the regions can describe the demand condition of goods and services in that area, and also can describe the ability of that regions to manage its natural resource, so it will invite the investors to invest in Banten Province..
2. Regional Minimum wage is the variable that significantly gave positive impact to foreign direct investment. It means that minimum wage is important factors that should maintain by Banten government, because wage is one of the driving factor for improving work productivity. Labor productivity will play an important role in the development of investment, especially the industrial sector.
3. Labor force is the variable that gives no significant impact to foreign direct investment, therefore, Banten government should have the policy to improve



the skilled labor in Banten Province, by knowing the factors that significantly influence the foreign direct investment in Banten province, then government should prioritize those sectors to maximize the realization of FDI without ignoring the other sectors.

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