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Original Research Article

Some of the Most Influential Investment Issues in Malang, Indonesia

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Abstract

The purpose of this study was to find out and test whether wages affect regional investment, whether inflation affects regional investment, whether exchange rates affect regional investment, and which between wages, inflation, and exchange rates are very dominant influence on regional investment. This study uses a quantitative approach, while the object of research is all labor in Malang. And researchers took data from the Central Bureau of Statistics in the city of Malang which numbered 1,273,579 workers. The results of data analysis using multiple linear regressions with the help of SPSS version 20.0 and the discussion that has been done, all variables affect regional investment.
Keywords: Wages, Inflation, Exchange Rates, Investment Regions.

INTRODUCTION

Wages are a tangible manifestation of a form of exchange that occurs between service users and service providers. The government minimizes the minimum wage problem by formulating a minimum wage that is expected to be a reference for employers to fulfill their obligations to pay workers wages to be able to live properly from the wages they receive [1]. With the coming into effect of Law No.22 of 1999 concerning regional autonomy, the "City Minimum Wage" decision for each regency or city is directly made by the governor on the recommendation of the regents and mayors in their respective provinces.

A significant theory to explain the state of the economy in a region, especially in Indonesia, is about the theory of wage rigidity. Wage rigidity is the failure of wages to make adjustments until the labor supply is the same as the request, Figure-1 Wage Curve and Table-1 Malang District / City Minimum Wages 2006 - 2010 (in IDR): Salvatore, Dominick and Source: BPS Malang [2, 3].

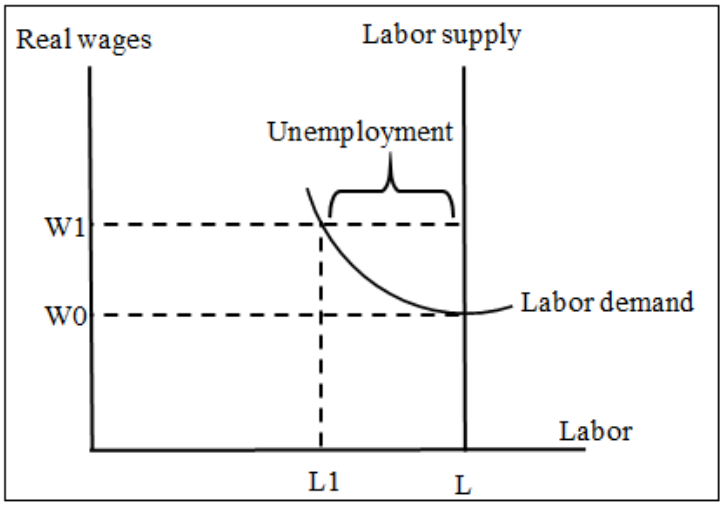

Fig-1: Wage Curve
Source: Salvatore, 2007

Table-1: Malang District / City Minimum Wages 2006 - 2010 (in IDR)

District / City Minimum Wages		Year (IDR)		
2006	**2007**	**2008**	**2009**	**2010**
681.000	743.000	802.941	945.373	1.006.263

Source: BPS Malang, 2010 (processed)

Holden [4] says that the inflation rate and unemployment rate have an inverse relationship. The government is unable to control these two variables simultaneously. This is because, when the government decides to reduce the unemployment rate, unfortunately they have to face the problem of high inflation rates and vice versa. This shows a negative relationship between the inflation rate and the unemployment rate respectively. Wyplosz [5] conducted a study using data from four countries, namely France, Germany, Switzerland, and the Netherlands. He obtained a result that showed that the inflation rate in the long run was not linear to the inflation rate. He concluded that, a lower inflation rate is good for a country's economic growth. Guha and Visviki [6] according to their research using empirical methods in United States from 1949 to 1999 using CPI time series data. It was analyzed under urban or rural and statistics on the number of workers in the US as well. Based on this study, they identified that the unemployment rate has an inverse relationship to the inflation rate or the death trade. The lower the unemployment rate, the higher the inflation rate.

Linzert [7] also identified a negative relationship between the unemployment rate and the inflation rate based on his research which was carried out under 10 European countries such as Austria, Belgium, Finland, France, Germany, Ireland, Italy, the Netherlands, Portugal and Spain from 1970 to 1990. The results show that, a lower inflation rate causes a high unemployment rate and it shows an inverse relationship as well.

De Grauwe and Polan [8] state that the rate of inflation and money supply have a positive relationship. An increase in the money supply will increase the inflation rate in the long run. In his research he used data from International Financial Statistics to supply M1 and M2 money from 1969 to 1999. They found that there was a positive relationship between the money supply and the inflation rate the correlation between M1 and inflation was 0.877 where, the correlation between M2 and inflation was 0, 89. Gerry Shelley and Wallace [9] have the same point of view as De Grauwe and Polan [8] where, they also agree that inflation rates and supply money have a positive relationship with each other. Unlimited the amount of money circulating in the market will cause a high rate of inflation. In their research, they found that these variables had a high correlation in the long run between 8 and 10 years.

A study by Amadeo [10] found that inflation is a continuous increase in prices. This is a situation that can cause the standard of living costs to fall because, we have to spend a lot of money to get the same amount of goods and services we bought before. Ming Cheng and Tan [11] state that, the inflation rate in Malaysia is well overcome in the right way during the financial crisis faced by the state compared to other countries facing high inflation during that time. Ming Cheng and Tan [11] identify that, economic inflation affects many factors and causes economic problems that can bring down the economic growth of a particular country.

Christensen [12] says that the money supply and inflation rate are direct or positive relationships in the long run. Increasing supply money on the money market will increase demand for goods and services as well. Because of this, more money chasing fewer quantities of goods and services will result in inflation problems. Alvarez *et al*., [13] say that money supply has a positive relationship with the rate of inflation. This is because, when the Central Bank decides to increase the amount of money circulating in the market, it will no doubt reduce interest rates at the same time. So, this situation will cause the problem of inflation as supply money in the market increases indefinitely.

Ferrero and Seneca [14] identify, the central bank with a mandate to stabilize the CPI can raise interest rates to limit inflation impacting the exchange rate of depreciation. In addition, Chinese Renminbi with the US Dollar face changes in import prices affecting the exchange rate. A study conducted by Cheng and Tan [11] says that, the rate of inflation has a negative relationship with exchange rates. According to Olatunji *et al.*, [15] stated that, Exchange rates have a negative influence on the inflation rate. He analyzed the factors that influence inflation in Nigeria using time series data

Some of the empirical literature on premature multinational wages that to date, there is a consensus that foreign companies tend to pay workers better than their domestic counterparts, especially in developing countries. In an initial study for Mexico, the United States and Venezuela, Aitken *et al*., compared average wages between domestic and foreign companies [16, 17]. They show that the average wage in foreign-owned factories tends to be around 30% higher than domestic plants.

Whereas Lipsey and Sjöholm use plant level datasets for Indonesia with detailed information on the composition of workers in all education categories [18, 19]. They found that, while the average difference in labor quality was an important part of the raw raw wage

premium, it remained large. Wages in foreign-owned factories are 12% higher for production workers and 20% for non-production workers. Morrissey and TeVelde [20] present similar findings for five Sub-Saharan African countries.

As one of the widely used economic indicators, the real exchange rate can be defined simply as a nominal exchange rate that brings inflation differences between countries into calculations Al-Ezzee's [21]. In international trade, its importance stems from the fact that it reflects trade competitiveness M. Heun and T. Schlink [22]. However, it is still widely used in various economic fields for purposes other than trade. The movement of real exchange rates affects many economic variables; Where several studies include relationships with MW foreign direct investment MWKlein and E. Rosengren [23], several other studies focus on the effects on tourism A. Schiff and S. Becken [24], or more generally, on economic growth Y. Miao and A. Berg [25].

In the case of Fiji, a study conducted by Dewan *et al.*, and Dewan & Hussein revealed some insight into the relationship of inflation growth [26, 27]. The found that changes in the difference between actual GDP and potential GDP (output gap) had an effect on Fiji inflation results. In another study, Dewan& Hussein [26] found in a sample of 41 developing middle-income countries including Fiji, inflation was negatively correlated with growth.

Priyono [28] states that there are two traditional annual inflation peaks in Indonesia. The January-January period always brought higher prices due to Christmas and New Year celebrations, while traditional floods in January (in the middle of the rainy season) resulted in disruption of distribution channels in several regions and cities, resulting in higher logistics costs. The second peak of inflation occurred in the July-August period. Inflationary pressure in these two months emerged as a result of the holidays, the holy fasting month of Muslims (Ramadan), the celebration of Eid al-Fitr and the start of the new school year. Real increases can be detected in expenditures for food and other consumables (such as clothing, bags and shoes), along with retailers adjusting prices upwards.

Some empirical studies include Studies from Sarel, Andres & Hernando and Ghosh & Phillips and Khan & Senhadji [29-34]. The results of their study state that there is a weak negative correlation between inflation and growth, while changes in the output gap have a significant effect. Causality between the two variables runs one direction from GDP growth to inflation.

There is a government policy regarding the application of the Provincial Minimum Wage with the aim of increasing welfare whether it can affect the amount of investment entering the industrial sector and the trade sector. In 2015, there will be a wage increase for 2016, Malang Regency proposes that the amount of district drinking water has two versions, namely the version of laborers and employers. They gradually reduce the purchasing power of the working class. But the policy move failed because the price of goods and profits of the company were out of control. Therefore, prices are rising, unions are nervous about wage increases that result in higher prices Agba [35], Lack of goods and services produced for local consumption drives the inflation rate to rise from 20% in 1981 to 39.1% in the year 1984 [36]. With the implementation of the Structural Adjustment Program in 1986, there was a reduction in fiscal deficits while government subsidies were removed and reduced involvement in the economy.

A significant theory in explaining the causes due to inflation is the Phillips Curve, as shown below: Figure-2 Philips Curve Image and Table-2 Malang City Inflation Table 2006-2010 (in percent), Salvatore, Dominick and Source: BPS Malang [2, 3].

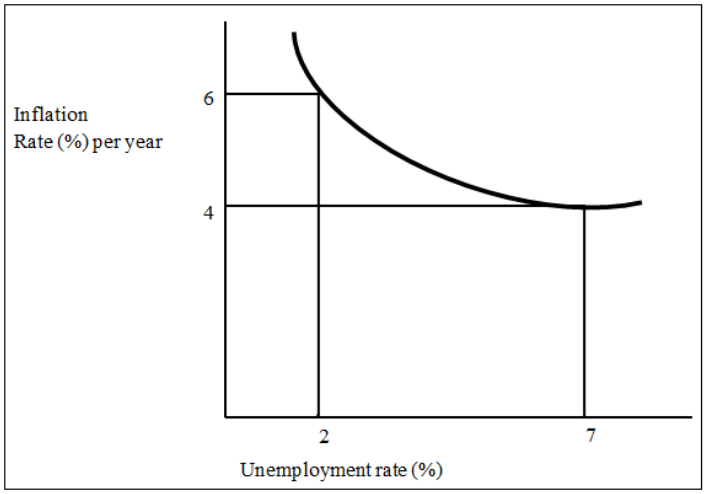

Fig-2: Philips Curve Image

Source: Salvatore, 2007

Table-2: Malang City Inflation Table 2006-2010 (in percent)

Inflation			Year (percent)	
2006	**2007**	**2008**	**2009**	**2010**
5,92	5,93	10,49	3,55	6,7

Source: BPS Malang, 2010 (processed)

Other studies have considered exchange rates as a factor in bank foreign investment decisions, but the focus in this article is whether investment is likely to generate foreign exchange gains or losses [37-39]. Relatively little attention was given to looking at assets of internationally active banks as portfolios, with sub-portfolios in various countries facing various risks and rates of return.

Other empirical studies by Ozturk and Kalyoncu [40] maintain the impact of FDI on economic growth in Turkey and Pakistan during the period 1975-2004 by using the Granger causality test and the Engle-Granger cointegration test. The results show that there is a positive causality relationship between FDI and economic growth that causes Turkey to experience economic growth which causes foreign investment to increase, the same thing also happened in the case of Pakistan. Baharumshah and Almasaied [41] explored the impact of foreign direct investment on economic growth in Malaysia between 1974 and 2004 including the economic crisis. From 1997. It was designed to find out the long-term relationship between FDI and Malaysia's economic growth by using a test procedure (BT). This study found that the rate of economic growth can be influenced by FDI, the formation of domestic capital, deepening of finance and human capital.

Figure-3, describes sustainable inflation where the economy moves from Point 1 to Point 2 for each period and exchange rate inflation is built into wages and price contracts so that the short-run aggregate supply curve increases at the same level as the aggregate demand curve. Consider the announcement of a cold-Turkish anti-inflation policy in which money growth will be sufficiently reduced so that the aggregate demand for the curve will remain in AD1 and will not shift to AD2. If this anti-inflation policy is not credible, the short-term aggregate supply curve will continue to increase to ASY when the policy is implemented. The result is that the economy will move to Point A, where there is some inflation slowdown (the price level does not rise to P2), but there are substantial losses. Figure-3 Anti-Inflation Policy and Credibilityand Figure-4 Development of Open Unemployment with Investment in Malang City in 1980 – 2011.

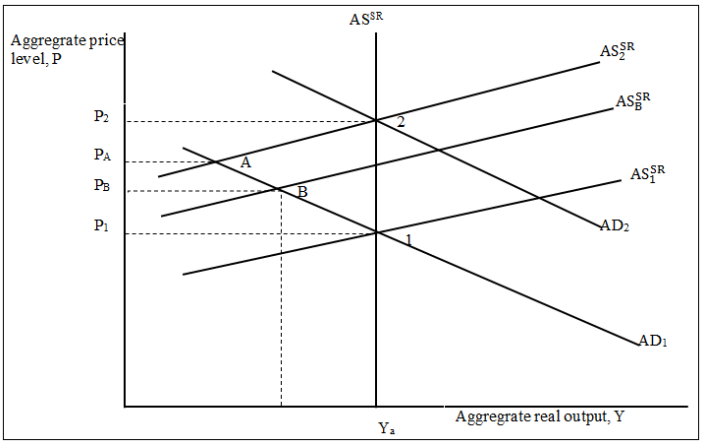

Fig-3: Anti-Inflation Policy and Credibility
Source: Kydland and Prescott (1977) [33]

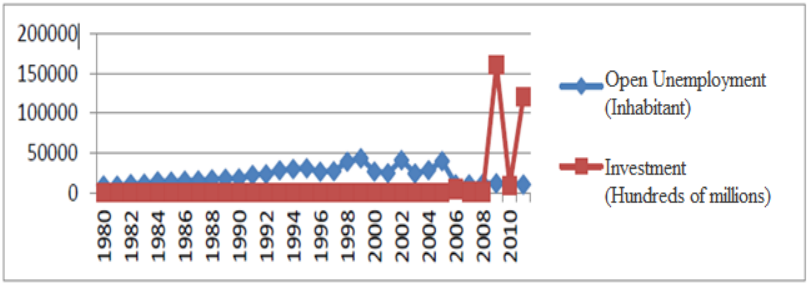

Fig-4: Development of Open Unemployment with Investment in Malang City in 1980 – 2011
Source: Malang City Statistic Center (processed)

From Figure 3 & 4, it can be seen that the investment in Malang City from 1980 to 2011 was increasing. And if you see the number of Unemployed Unemployment increased in 1980 to 2005 while in 2006 to 2011 decreased.

The development of increased investment in the city of Malang in fact does not necessarily increase the number of jobs because in its activities this type of investment is more oriented to the type of investment that is capital intensive rather than labor intensive. Labor-intensive industries in Malang tend to be oriented towards commodities such as agriculture, plantations, textiles, cigarettes (main), and others. The problem is that this kind of industry is very vulnerable to price changes. If workers' wages are raised, this labor-intensive industry will be hard hit, unless there are those who are willing to become laborers with the lowest wages or constant raw material prices every year.

The results of the study [1] state that wages, inflation and exchange rates affect investment policies. As a theoretical basis policymakers can implement fiscal, monetary or exchange rate policies to stabilize output and employment using interest rates, the amount of outstanding money and exchange rates as instruments.

Formulation of the Problem

Based on the background of the above problems, the problem can be formulated as follows:

- Does the wage affect Malang's regional investment?
- Does Inflation affect Malang Regional Investment?
- Does the Exchange Rate affect Malang Regional Investment?
- Which of the most dominant wages, inflation and exchange rates affect investment?

Conceptual Framework and Hypotheses

Conceptual Framework

In order for this research to be more focused with the formulation of the problem and the objectives to be achieved, the authors describe the conceptual framework as below.

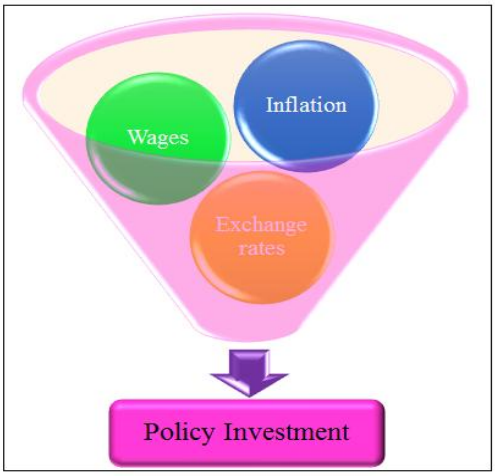

Fig-5: Conceptual Framework

Source: Research variables processed by author

Research Hypothesis

The research hypothesis is as follows:

- Hi 1 = There is an Influence of Wages on Investment in the Malang Region
- Hi 2 = There is Influence of Inflation on Investment in Malang Region
- Hi 3 = There is an effect of exchange rate on investment in Malang
- Hi 4 = There are Influences of Wages, Inflation and Exchange Rates on Investment in the Malang Region.

METHOD OF RESEARCH

Population

In this study the population taken is the entire workforce whose data comes from the Central Bureau of Statistics in Malang which amounted to 1.273.579 workers in [42].

Sample

According to Arikunto, S [42], the sample is part of the number and characteristics possessed by the population with certain criteria.

Determination of the number of samples using the Slovin Formula as follows:

$$n = \frac{N}{1 + Ne^2}$$

$$n = \frac{1.273.597}{1 + 1.273.597(10\%)^2} = \frac{1.273.597}{1 + 12,736} = \frac{1.273.597}{12,737} = 99,99$$ *Rounded to 100*

Information:
n: Sample size
N: Large population
e: Desired level of trust / precision with a 10% confidence level.

Appendix-1: Table of Respondent's Response Frequency

A. Wages Variables (X_1)					
X1.1					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	3,00	21	21,0	21,0	21,0
	4,00	46	46,0	46,0	67,0
	5,00	33	33,0	33,0	100,0
	Total	100	100,0	100,0	
X1.2					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	3,00	15	15,0	15,0	15,0
	4,00	38	38,0	38,0	53,0
	5,00	47	47,0	47,0	100,0
	Total	100	100,0	100,0	
X1.3					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	2,00	1	1,0	1,0	1,0
	3,00	14	14,0	14,0	15,0
	4,00	37	37,0	37,0	52,0
	5,00	48	48,0	48,0	100,0
	Total	100	100,0	100,0	
X1.4					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	3,00	6	6,0	6,0	6,0
	4,00	50	50,0	50,0	56,0
	5,00	44	44,0	44,0	100,0
	Total	100	100,0	100,0	

A. Inflation Variables (X_2)					
X2.1					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	3,00	21	21,0	21,0	21,0
	4,00	50	50,0	50,0	71,0
	5,00	29	29,0	29,0	100,0
	Total	100	100,0	100,0	
X2.2					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	3,00	19	19,0	19,0	19,0
	4,00	56	56,0	56,0	75,0
	5,00	25	25,0	25,0	100,0
	Total	100	100,0	100,0	

X2.3					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	2,00	3	3,0	3,0	3,0
	3,00	16	16,0	16,0	19,0
	4,00	47	47,0	47,0	66,0
	5,00	34	34,0	34,0	100,0
	Total	100	100,0	100,0	

Data Analysis Technique

Data analysis technique is done by analyzing directly by understanding the existing data, the analysis is also done by using computer assistance program that is SPSS 20.0.

Testing Of Research Instruments

Validity test

The intrumentic validity is related to the suitability and accuracy of the function of the measuring instrument used. Therefore, before the instrument is used in the field need to test the validity of the instrument. To test the validity can use product moment correlation technique processed using SPSS20.0

Validity test is obtained by correlating each score of the indicator variable, then the result is compared with the critical value at a significant level of 0.05. If the results obtained are smaller than *r-table*, then the items that exist in the questionnaire do not show the value of the validity and so can not be continued as a research instrument.

Appendix-2: Test Research Instruments

A. Validity Tests				
Wages Variables				
Correlations				
		X1.1	X1.2	X1.Total
X1.1	Pearson Correlation	1	,485**	,869**
	Sig. (2-tailed)		,000	,000
	N	124	124	124
X1.2	Pearson Correlation	,485**	1	,854**
	Sig. (2-tailed)	,000		,000
	N	124	124	124
X1.Total	Pearson Correlation	,869**	,854**	1
	Sig. (2-tailed)	,000	,000	
	N	124	124	124
**. Correlation is significant at the 0.01 level (2-tailed).				
Inflation Variables				
Correlations				
		X2.1	X2.2	X2.Total
X2.1	Pearson Correlation	1	,408**	,814**
	Sig. (2-tailed)		,000	,000
	N	124	124	124
X2.2	Pearson Correlation	,408**	1	,863**
	Sig. (2-tailed)	,000		,000
	N	124	124	124
X2.Total	Pearson Correlation	,814**	,863**	1
	Sig. (2-tailed)	,000	,000	
	N	124	124	124
**. Correlation is significant at the 0.01 level (2-tailed).				
Exchange Rate Variables				
Correlations				
		X3.1	X3.2	X3.Total
X3.1	Pearson Correlation	1	,330**	,841**
	Sig. (2-tailed)		,000	,000
	N	124	124	124
X3.2	Pearson Correlation	,330**	1	,788**
	Sig. (2-tailed)	,000		,000
	N	124	124	124

X3.Total	Pearson Correlation	,841**	,788**	1
	Sig. (2-tailed)	,000	,000	
	N	124	124	124
**. Correlation is significant at the 0.01 level (2-tailed).				
Investment Variables				
Correlations				
		Y.1	Y.2	Y.Total
Y.1	Pearson Correlation	1	,756**	,935**
	Sig. (2-tailed)		,000	,000
	N	124	124	124
Y.2	Pearson Correlation	,756**	1	,939**
	Sig. (2-tailed)	,000		,000
	N	124	124	124
Y.Total	Pearson Correlation	,935**	,939**	1
	Sig. (2-tailed)	,000	,000	
	N	124	124	124
**. Correlation is significant at the 0.01 level (2-tailed).				

Reliability Test

Reliability concerns the accuracy of measuring tools. This accuracy can be assessed by statistical analysis to determine the measurement error. The analysis used in testing instrument reliability is done by using Alpha Cronbach formula which is processed using SPSS. The measurement item is said to be reliable if it has an alpha coefficient value greater than 0.6. Because according to Maholtra [43], a value of 0.6 or less generally indicates an unsatisfactory internal consistency reliability.

Appendix-2: Test Research Instruments

B. Reliability Tests			
Wages Variables			
Case Processing Summary			
		N	%
Cases	Valid	124	100,0
	Excluded[a]	0	,0
	Total	124	100,0
a. Listwise deletion based on all variables in the procedure.			
Reliability Statistics			
Cronbach's Alpha	N of Items		
,652	2		
Inflation Variables			
Case Processing Summary			
		N	%
Cases	Valid	124	100,0
	Excluded[a]	0	,0
	Total	124	100,0
a. Listwise deletion based on all variables in the procedure.			
Reliability Statistics			
Cronbach's Alpha	N of Items		
,676	2		
Exchange Rate Variables			
Case Processing Summary			
		N	%
Cases	Valid	124	100,0
	Excluded[a]	0	,0
	Total	124	100,0
a. Listwise deletion based on all variables in the procedure.			
Reliability Statistics			
Cronbach's Alpha	N of Items		
,693	2		
Investment Variables			

Case Processing Summary			
		N	%
Cases	Valid	124	100,0
	Excluded[a]	0	,0
	Total	124	100,0
a. Listwise deletion based on all variables in the procedure.			

Reliability Statistics	
Cronbach's Alpha	N of Items
,861	2

Classic Assumption Test

Normality test

Normality test is performed to test whether in a regression model, Independent and dependent Variables or both have a normal distribution or not. The best model is the normal or near-normal distribution of data. Data normality can be detected by looking at the shape of the histogram curve with a balanced slope to the left and to the right and shaped like a bell or by looking at the dotted data points around the diagonal line and following the diagonal line from the Normal P-Plot image [44, 45].

Appendix-3: Test of Classical Assumptions

A. The Test of Normality					
One-Sample Kolmogorov-Smirnov Test					
		Wages	Inflation	Exchange Rate	Investment
N		124	124	124	124
Normal Parameters[a,b]	Mean	7,9677	7,8468	8,1774	8,0323
	Std. Deviation	1,22929	1,36176	1,63820	1,23588
Most Extreme Differences	Absolute	,269	,182	,239	,228
	Positive	,199	,141	,133	,228
	Negative	-,269	-,182	-,239	-,175
Kolmogorov-Smirnov Z		2,990	2,025	2,663	2,541
Asymp. Sig. (2-tailed)		,100	,101	,110	,200
a. Test distribution is Normal.					
b. Calculated from data.					

Multicollinearity Test

This test is used to test whether in a regression model found a correlation between independent variables. If there is a correlation, then it is said there is problem multicollinearity. Good regression model should not occur correlation between independent variables. Testing for presence or absence of multicolinearity is done by *VIF* (Variance Inflation Factor) method with the following provisions:

A. If *VIF*> 10 there is a multicollinearity problem
B. If *VIF*<10 there is no multicollinearity problem.

Appendix-3: Test of Classical Assumptions

A. Multicolitique Tests								
Coefficients[a]								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	4,083	,843		4,842	,000		
	Wages	,185	,088	,184	2,090	,039	,906	1,104
	Inflation	,170	,084	,188	2,035	,044	,821	1,218
	Exchange Rate	,140	,068	,185	2,059	,042	,866	1,154
Dependent Variable: Investment								

Autocorrelation Test

The autocorrelation test aims to test whether in a linear regression model there is a correlation between the confounding error in *period t* and the intruder error in *period t-1* Santoso, S [46]. Regression model is good, there is no autocorrelation in a regression model, then tested the value of Durbin Watson test. According Santoso, S. [46] decision-making whether or not there is autocorrelation:

A. DW value <1.10: there is autocorrelation.

B. DW value between 1.10 - 1.54: without conclusion.
C. DW value between 1.55-2.46: no autocorrelation.
D. DW value between 2.46 - 2.90: without conclusion.
E. Value DW> 2.90: there is autocorrelation

Heterocedasticity Test

Heterocedasticity is a confounding variable which has a different variant from one observation to another or variants between independent variables are not the same, it violates the assumption of homocedasticityie each explanatory variable has the same (constant) variant. Heterocedasticity test can be done by Glejser test, that is by seeing the value of significance above level = 5% so it can be concluded that the regression model does not contain the existence of Heterokedastisitas Ghozali Imam [47].

Data Analysis Using Multiple Liner Regression

Multiple linear regression is used to test the fourth hypothesis, namely to find the effect of wages, inflation, and exchange rate on local investment policy. This analysis is used to find the functional relationship of all predictors with the criteria. In addition, to determine the contribution of predictor variables to the criteria, both relative donations and effective contributions.

Multiple linear regression is used to determine the effect of independent variables with dependent variable, wage, inflation, and exchange rate on Central Bureau of Statisticsinvestment policy of Malang. Regression model used is:

$Y = a + b_1X_1 + B_2X_2 + b_3X_3 + e$

Information:
Y = Investment
a = Price constants (price Y when X = 0)
b_1: Regression coefficient of wage variable
B_2: Regression coefficient of Inflation Variables
b_3: Regression coefficient of exchange rate variable
X_1 = first independent variable (Wages)
X_2 = second independent variable (Inflation)
X_3 = third independent variable (exchange rate)
e = standard error

Appendix-4: Test Regression Linier Multiple

Model Summary[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,401[a]	,161	,140	1,14615	1,730

a. Predictors: (Constant), Exchange Rate, Wages, Inflation
b. Dependent Variable: Investment

ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	30,232	3	10,077	7,671	,000[b]
	Residual	157,639	120	1,314		
	Total	187,871	123			

a. Dependent Variable: Investment
b. Predictors: (Constant), Exchange Rate, Wages, Inflation

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	4,083	,843		4,842	,000		
	Wages	,185	,088	,184	2,090	,039	,906	1,104
	Inflation	,170	,084	,188	2,035	,044	,821	1,218
	Exchange Rate	,140	,068	,185	2,059	,042	,866	1,154

a. Dependent Variable: Investment

Hypothesis testing

Testing of Partial Effect Hypothesis (t_{-test})

The *t test* is also called a test of individual significance. This t test shows how far the influence of independent variables partially to the dependent variable Ghozali, I [47]. Formulating statistical hypotheses, rules of decision:

- If the value of $t_{count} > t_{table}$ then Ho accepted
- If the value of $t_{count} < t_{table}$ then Ho is rejected

The rules of decision making and t_{test} using SPSS are:

- If probability> 0,05 then Ho accepted, Ha rejected
- If probability <0.05 then Ho is rejected, Ha accepted

Data Analysis and Discussion of Research Results

Validity Test

Validity test is to know the level of validity or truth of the instrument.

Table-3: Validity Test

Variable		*Correlation*	Sig.	Note
WAGES (X1)	X1.1	,783**	0,000	Valid
	X1.2	,828**	0,000	Valid
	X1.3	,829**	0,000	Valid
INFLATION (X2)	X2.1	,703**	0,000	Valid
	X2.2	,779**	0,000	Valid
	X2.3	,779**	0,000	Valid
EXCHANGE RATES (X3)	X3.1	,755**	0,000	Valid
	X3.2	,761**	0,000	Valid
	X3.3	,643**	0,000	Valid
INVESTMENT (Y)	Y.1	,746**	0,000	Valid
	Y.2	,805**	0,000	Valid
	Y.3	,799**	0,000	Valid

Source: SPSS Output Appendix Instrument Testing, data is processed

From the Table-3, the validity test can be found after performing the calculation using SPSS version 20 program, from the results show that all items of each statement have significant value (≤0.05), so the whole item declared valid.

Reliability Test

A questionnaire is said to be reliable or reliable if one's response to a statement is consistent or stable over time. Test reliability by using alpha cronbach technique, said the instrument has a high reliable value if the value of alpha cronbach> 0.6. From the analysis results obtained reliability coefficient as follows:

Table-4: Reliability Test

Variable	Value alpha cronbach	Critical Value	Note
Wages	,742	0,6	Reliable
Inflation	,615	0,6	Reliable
Exchange Rate	,539	0,6	Reliable
Investment	,682	0,6	Reliable

Source: SPSS Output Appendix Instrument Testing, data is processed

In the Table-4 obtained value of coefficient reliability cronbach alpha on variable wages of 0.849, variable inflation of 0.711, exchange rate variable of 0.733 and investment variable of 0.791. Of all variables value of reliability coefficient cronbach alpha more than 0.6 it can be concluded that the instrument or questionnaire used is very reliable.

Classic assumption test

In order to obtain an unbiased and efficient estimator value of a multiple regression equation with Ordinary Least Square method, then in the implementation of data analysis must meet the following classical assumptions:

Table-5: Classic Assumption Test Results Table

Normality test	**Result**	Information
Wage	*asymp.sig* = 0,104 (> 0,05)	Normal
Inflation	*asymp.sig* = 0.138(> 0,05)	Normal
Exchange rate	*asymp.sig* = 0.100(> 0,05)	Normal
Investment	*asymp.sig* = 0.118 (> 0,05)	Normal
Multicollinearity Test	**Result**	Information
Wage	VIF = 1,117 (< 10)	Free Multicolinearity
Inflation	VIF = 1,370 (< 10)	Free Multicolinearity
Exchange rate	VIF = 1,260 (< 10)	Free Multicolinearity
Heterocedasticity Test	Results	Information
Scatterplot is attached	There is no clear pattern, as well as dots spread above and below the zeros on the Y axis	Not Affected Heterocedasticity

Source: Attachment of SPSS Output Test Classical Assumption, data is processed

Normality test

Data normality test is used to test whether in a regression model, dependent variable, independent variable, or both have normal distribution or not, from the test results obtained asymp.sig value for wage variable equal to 0.110 (0.110> 0.05), inflation variable equal to 0.128 (0.128> 0.05), exchange rate variable equal to 0.101 (0.101> 0.05) and investment variable equal to 0.130 (0.130> 0.050). So it can be concluded that all data is normally distributed.

Multicollinearity Test

Multicollinearity test is used to test whether the regression model found a correlation between independent variables (independent). From the test results obtained *VIF* value for the wage variable of 1.074 (1.074 <10), the inflation variable of 1.140 (1.140 <10) and the exchange rate variable of 1.088 (1.088 <10), so it can be said multiple linear regression used in this study, Free from multicollinearity.

Heteroscedasticity Test

The heteroscedasticity test was used to test whether in the regression model there was a variance inequality of the residual one observation to the other. In the Scatterplot image below the points appear to be spreading randomly, not forming a certain pattern clearly, and scattered either above or below the number 0 on the Y axis. This means there is no heteroscedasticity in the regression model.

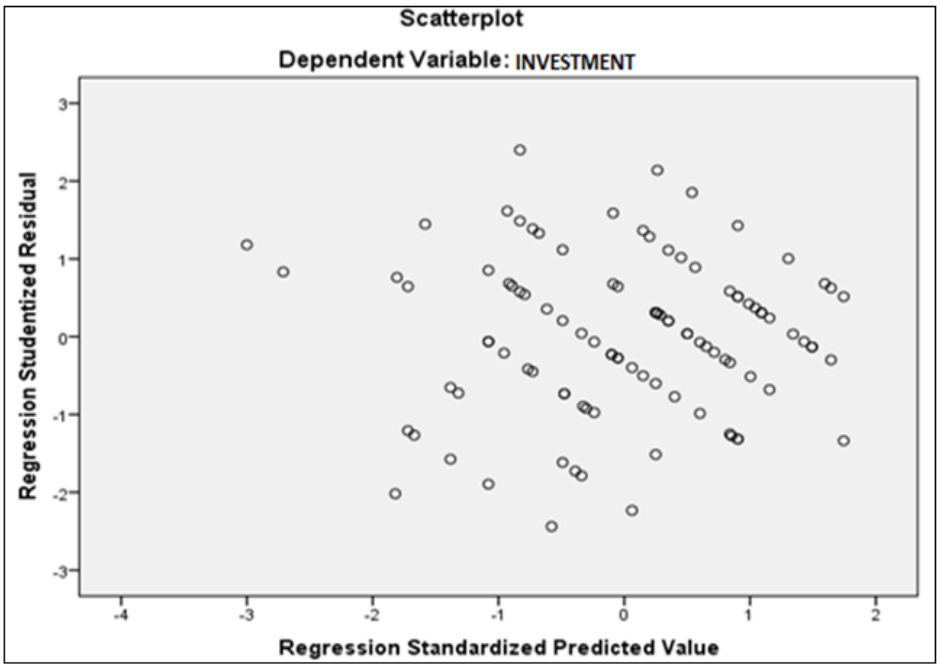

Fig-6: Scatterplot Dependent Variable: Investment

Multiple Linear Regression Analysis and Hypothesis Testing

From the result of multiple linear regressions analysis obtained the amount of the constant and the regression coefficient for each variable are as follows:

Table-6: Multiple Linear Regression Analysis Table

Variable	*Unstandardized Coefficients* (B)	*Standardized Coefficients Beta*	t count	Sig.	Note
Constant	2,445		1,603	,112	
Wages	,300	,243	3,339	,001	Significant
Inflation	,180	,161	1,997	,049	Significant
Exchange Rates	,705	,601	7,778	,000	Significant
R				= 0.739	
R Square				= 0.546	
F count				= 38,423	
Sig. F				= 0,000	
α				= 0,5	
Note:					
- Total of data				: 100	
- Dependen variable				: Investment	

Source: SPSS Output Appendix Multiple Linear Regression, data is processed

From the Table-6 obtained the regression equation is:
$Y = 2{,}445 + 0{,}300X_1 + 0{,}180\ X_2 + 0{,}705\ X_3$

Based on these equations, it can be explained as follows:

Constant value (a) of 2,445

Shows that if the wage independent variable (X_1), inflation (X_2) and the exchange rate (X_3) equal zero, then the investment (Y) will be 2,445 units. This means that without looking at wages (X_1), inflation (X_2) and exchange rates (X_3), it is predicted that investment (Y) will be 2.445 units.

The wage coefficient value (X_1) is 0.300

The regression coefficient with a positive sign indicates that the wage has a direct effect on investment, if the wage (X_1) increases one unit, it will increase investment (Y) by 0.300 units with the assumption of inflation (X_2) and the exchange rate (X_3) constant. This means that if wages increase one unit, then the estimated investment increases by 0.300 units.

The value of the inflation coefficient (X_2) is 0.180

The positive coefficient of regression indicates that inflation has a direct effect on investment, if inflation (X_2) increases one unit, it will increase investment (Y) by 0.180 units with the assumption of wages (X_1) and the exchange rate (X_3) constant. This means that if inflation increases by one unit, it is estimated that investment will increase by 0.180 units.

The value of the exchange rate coefficient (X_1) is 0.705

The regression coefficient has a positive sign indicating that the exchange rate has a direct effect on investment, if the exchange rate (X_3) increases one unit, it will increase investment (Y) by 0.705 units with the assumption of inflation (X_2) and wages (X_1) constant. This means that if the exchange rate increases by one unit, then the estimated investment increases by 0.300 units.

The correlation coefficient (R) describes the magnitude of the relationship between the wage variable (X_1), inflation (X_2) and the exchange rate (X_3) on investment (Y). Interpretation of the level of relationship between variables X and Y can be seen from the interpretation table of the correlation coefficient in Santoso, S. [34] as follows: Table of Correlation Coefficients Interpretation

Table-7: Table of Correlation Coefficients Interpretation

Correlation coefficient interval	Level of relationship
0,00 – 0,199	Very low
0,20 – 0,399	Low
0,40 – 0,599	Medium
0,60 – 0,799	Strong
0,80 – 1,000	Very strong

From the table shows that the correlation coefficient (R) is 0.739 and this value if seen in Table-7 shows the level of a strong relationship. Which means that there is a strong relationship between wages (X_1), inflation (X_2) and exchange rates (X_3) against investment (Y).

The determination coefficient (Rsquare) is 0.546. This figure shows that wages (X_1), inflation (X_2) and exchange rates (X_3) provide variations or are able to contribute to the variable job satisfaction of 54.6%, while the remaining 45.4% is caused by other variables not included in research.

Hypothesis Testing

Hypothesis Testing 1

Testing the hypothesis that reads "There is an Influence of Wages on Investment in the Malang Region". Testing this hypothesis using the t-test, which aims to see the effect partially.

Based on the table above it can be seen the value of t arithmetic wages variable is 3.339 with a significance value of 0.001 so that (0.001 <0.05) from these results it can be stated that Ha is accepted and Ho is rejected.

This test results support the previous empirical study conducted by [30, 31] Lipsey and Sjöholm [18] which uses plant level datasets for Indonesia with detailed information on the composition of workers in all education categories. They found that, while the average difference in labor quality was an important part of the raw raw wage premium, it remained large. Wages in foreign-owned factories are 12% higher for production workers and 20% for non-production workers. Morrissey and TeVelde [20] present similar findings for five Sub-Saharan African countries.

While the second one supports empirical studies conducted by Agba [35], which states that when prices rise, unions are nervous. As for wage increases that produce higher prices, the shortage of goods and services produced for local consumption pushed the inflation rate up from 20% in 1981 to 39.1% in 1984 [36]. With the implementation of the Structural Adjustment Program in 1986, there was a reduction in

fiscal deficits while government subsidies were removed and reduced involvement in the economy.

Hypothesis Testing 2

Testing of the hypothesis that reads "There is an Influence of Inflation on Investment in the Malang Region". Testing this hypothesis using the t-test, which aims to see the effect partially.

Based on the above table, it can be seen that the t value of the inflation variable is 1.997 with a significance value of 0.049 so that (0.049 <0.05) from these results it can be stated that Ha is accepted and Ho is rejected.

The results of this test do not support the study conducted by Dewan *et al.*, [26] and Dewan& Hussein [27] reveal some insights about the relationship of inflation growth. The [26, 27] found that changes in the difference between actual GDP and potential GDP (output gap) had an effect on Fiji inflation results. In another study, Dewan & Hussein [26] found in a sample of 41 developing middle-income countries including Fiji, inflation was negatively correlated with growth.

Hypothesis Testing 3

Testing the hypothesis that reads "There is an Exchange Rate Effect on Investment in the Malang Region". Testing this hypothesis using the t-test, which aims to see the effect partially.

Based on the table above, it can be seen that the value of the variable exchange rate is 7.778 with a significance value of 0.000 so that (0.000 <0.05). From these results it can be stated that Ha is accepted and Ho is rejected.

As one of the widely used economic indicators, the real exchange rate can be defined simply as a nominal exchange rate that brings inflation differences between countries into calculations Al-Ezzee's [21]. In international trade, its importance stems from the fact that it reflects trade competitiveness M. Heun and T. Schlink [22]. However, it is still widely used in various economic fields for purposes other than trade. The movement of real exchange rates affects many economic variables; Where several studies include relationships with MW foreign direct investment [23] Klein and E. Rosengren [23], several other studies have focused on the effects on tourism A. Schiff and S. Becken[44], or more generally, on economic growth Y. Miao and A. Berg [25].

Hypothesis Testing 4

Testing the hypothesis that reads "There is an Influence of Wages, Inflation and Exchange Rates on Investment in the Malang Region". Testing this hypothesis uses the F_{test}, which aims to see the effect simultaneously.

Based on Table-7 above it can be seen that the Fcount value is 38,423 with a significance value of 0,000 so (0,000 <0,05). From these results it can be stated that Ha is accepted and Ho is rejected.

The results of this test support the empirical review conducted by Aitken *et al.*, compared average wages between domestic and foreign companies [16, 17]. They show that the average wage in foreign-owned factories tends to be around 30% higher than domestic plants.

While the second was conducted by Lipsey and Sjöholm using plant level datasets for Indonesia with detailed information on the composition of workers in all education categories [18, 19]. They found that, while the average difference in labor quality was an important part of the raw raw wage premium, it remained large. Wages in foreign-owned factories are 12% higher for production workers and 20% for non-production workers. Morrissey and TeVelde [20] present similar findings for five Sub-Saharan African countries.

The results of this test support the empirical study conducted by Ozturk and Kalyoncu [40] to maintain the impact of FDI on economic growth in Turkey and Pakistan during the period 1975-2004 by using Granger causality test and Engle-Granger cointegration test. The results show that there is a positive causality relationship between FDI and economic growth that causes Turkey to experience economic growth which causes foreign investment to increase, the same thing also happened in the case of Pakistan. Baharumshah and Almasaied [41] explored the impact of foreign direct investment on economic growth in Malaysia between 1974 and 2004 including the economic crisis from 1997. It was designed to find out the long-term relationship between FDI and Malaysia's economic growth by using a test procedure (BT). This study found that the rate of economic growth can be influenced by FDI, the formation of domestic capital, deepening of finance and human capital.

CONCLUSIONS AND SUGGESTION

CONCLUSION

Based on the results of data analysis was using multiple linear regressions by SPSS program (version 20) and the discussions that have been done, then the conclusion of the research on "The effect of wages, inflation and exchange rates on investment in Malang". Which refers to the research objectives, hypotheses and analysis models are as follows:

- There is an effect of wages on investment in the city of Malang, this is evidenced by the t-test, which obtained t count the wage variable of 3.339 with a significance value of 0.001 so that (0.001 <0.05).
- Characteristics of the Influence of Inflation on Investment in the city of Malang, this is evidenced

by the t_{test}, which obtained t_{count} the inflation variable of 1.997 with a significance value of 0.049 so that (0.049 <0.05).

- There is an effect of the exchange rate on investment in the city of Malang, this is evidenced by the t_{test}, which obtained t count variable exchange rate of 7.778 with a significance value of 0.000 so (0.000 <0.05).
- There is an effect of wages, inflation and exchange rates on investment in the city of Malang, this is evidenced by the f_{test}, which obtained f_{count} of 38.442 with a significance value of 0.000 so that (0.000 <0.05).

SUGGESTION

Based on the results of the research and conclusions that have been taken, the suggestions that can be submitted are as follows:

- It is expected that employees in poor cities can adjust the wages they receive with both daily and monthly expenses. So they can still invest in the form of savings or buying land or houses.
- It is expected that employees in Malang will be able to adjust the inflation rate in poor cities with their expenses. It is expected that they will continue to be able to invest despite high inflation in poor cities.
- It is expected that employees in Malang will adjust their expenses with the rise and fall of the rupiah exchange rate against the dollar or other currencies which has an impact on the high purchase price of an item. This is expected to keep employees able to invest amid the fluctuating exchange rate against the IDR

Highlight

Findings

Based on the results of calculations and test results, it can be explained that there is an effect of wages on regional investment, which is followed by the characteristics of inflation on labor which can affect the exchange rate against investment.

This illustrates for policy makers in the city of Malang, that the empirical evidence that exists in a time series can be used as a temporary theoretical basis in determining fiscal, monetary or exchange rate policies in stabilizing output and employment using interest rates, money supply and exchange rates. as an instrument

Implications

From the previous research and theory presented above, found that the empirical evidence that exists in a series of time can be used as a temporary theoretical basis in determining fiscal, monetary or exchange rate policies to stabilize output and employment using interest rates, money supply and exchange rates.

Practical Implications

After conducting research, policymakers can apply empirical evidence in a series of time can be used as a temporary theoretical basis in determining fiscal, monetary or exchange rate policies to stabilize output and work using interest rates, money supply and exchange rates

Social Implications

From the results of the research of policy makers, can apply empirical evidence in a series of time as a theoretical basis when determining fiscal, monetary or exchange rate policies to stabilize output and employment by using interest rates, money supply and exchange rates in other cities

Originality / Value

From the design of this study, originality or value of research is wages, inflation and exchange rates affect investment policies. What can be used as a theoretical basis for policy makers in applying fiscal? monetary or exchange rate policies to stabilize output and work by using interest rates, the amount of money in circulation and the exchange rate as the instrument.

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