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The Effect of Total Labor, Dollar Exchange and Export Value in Indonesia Foreign Direct Investment

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ABSTRACT*:*Capital requirements for developing countries are needed to more equitable development and accelerating the process of employment with the help of foreign capital. The objectives of this research are 1) Analyze simultaneously total labor, the dollar exchange rate and value of exports to foreign direct investment in Indonesia. 2) Analyze the total of labor, exchange rates dollars and total exports to fdiin Indonesia. 3) Analyze which variables are among the total of labor, dollar exchange rate and valuethe dominant export againstfdiin Indonesia. 4) Analyzing the dollar exchange rate in moderating total export against fdiin Indonesia. This study uses time series data vulnerable time from 1990-2019 there were 30 observations. Using moderation analysis techniques. The results of the simultaneous analysis total of labor, the dollar exchange rate and total exports has a significant fdi in Indonesia. Total of labor has a significant positive effect, the dollar exchange has a significant negative effect, total exports is not significant effect onfdi in Indonesia. Result of Moderation test the negative interaction of the dollar exchange rate in moderating total exports to fdi in Indonesia.

KEYWORDS: *Foreign direct investment, total labor, dollar exchange, total export*

I. INTRODUCTION

FDI (Foreign Direct Investment) has made China a giant today's high-tech industry (Li et al., 2018). Innovation creation is a important thing by country and not all country can do, need a high-tech industries investment very large (Ekananda & Parlinggoman, 2017). Fdi is a solution to the problem finances of a country, Fdi is also a solution for the fulfillment of technology, expertise & skills as well as modern management (Khachoo& Sharna, 2017). The role of Fdifor a country can get the opportunity to accelerate development as well as by accelerating development willencourage economic growth. Fdi can stimulate technological expansion, efficiency, productivity and growth the economy. In Indonesia, apart from domestic investment, Fdi has a big role to playin complementing domestic investment needs. The influx of Fdi, helpsfunding various underfunded sectors, reducing unemploymentwith the opening of new jobs, bringing technological knowledge from outsidecountry into the country and increase state income with taxes.Foreign investment creates new jobs andenhance technology transfer, create employment possibilities withassisting the industrial development process, industrial development is neededproduction factor, namely labor.Foreign investment creates new jobs andenhance technology transfer, create employment possibilities withassisting the industrial development process, industrial development is neededproduction factor, namely labor.Exchange rates can affect direct foreign investmentvarious ways due to the appreciation of exchange rates in local currencies can bereduce foreign direct investment by influencing the purchasing power of consumersdecreasing local level due to the greater the rupiah sacrificed to obtainan item that causes local raw materials to be more expensive and labor costs also become more expensive.Foreign investors invest in Indonesia by establishing a company, if the company aims to export, an increase in the total number of exports in Indonesia will attract investors.According to Brenton and Di Mauro in Mudara (2011) the total exportswhich continues to be followed by an increase in Fdi that enters the country's economyIn line with this opinion, the research results of Mudara (2011).

II. HYPOTHESIS DEVELOPMENT

Foreign Investment in Indonesia has several theories related to the state's interest in the investment sector viewed from the point of view of economic development interests (Ardiansyah in Amzari, 2017), namely classical and neo-classical theories according to Chandrawulan (2011) investing plays a role as a tutor with the existence of technology transfer and worker training, dependency theory according to Chandrawulan (2011) direct foreign investment by multinational companies usually enforces global policies and capital invested, the profits obtained by the recipient of capital can be returned to their country, the theory of intermediary according to Chandrawulan (2011) intermediary theory prioritizing the role of the government or the state in carrying out economic development strategies by formulating and following objectives that are not easy to do to become requests from social groups in the region.

Power problems employment in Indonesia, namely the high number of unemployed. This condition occurs because of its height number of working age population and there are cases of termination of employment continues to increase due to the 1997 economic crisis and recently because of it global recession 2008. In February 2005 and 2006 the working age population grew from 155.6 million people to 159.3 million people or an increase of 3.7 million people. The government is making efforts to open up opportunities for foreign investment in order to provide jobs that are beginning to appear by stretching it foreign investment climate in Indonesia (Tri Rahayu, 2010). Factors that most influence demand export is the exchange rate (exchange rate), if there is a depreciation in the exchange rate it will be increase demand for exports and if there is an appreciation the exchange rate will reduce exports (Perdana et al., 2014). Indonesia needs foreign direct investment to support it infrastructure development in Indonesia as well as assisting the absorption of labor and entry of efficient investment destination countries thus helping and increase the production and export. H1 : Total labor, US dollar exchange rate and total export simultaneouslyan effect against the entry of Fdi in Indonesia.

Foreign direct investment is needed by a country because it is encouragingcreation of new jobs and enhancing technology transfer, in additioncan create job possibilities by assisting in the development processindustry (Zeb et al., 2013).According to BKPM (2017) states that Indonesia has a populationfourth largest inthe world with a large number of workforce, this isIndonesia can promise as one of the countries where to invest.The Indonesian government has also determined several priority sectors for investment andThese sectors are very open to foreign investment (FDI), of coursewith due observance of the investment guidelines stated in Regulation President.

H2 : Total labor has a positive effect on the entry of fdi in Indonesia.

The US dollar exchange rate has negative but insignificant effect on Fdi realization (Tambunan et al., 2015). This research strengthened by research conducted by Eliza (2013: 18), and Frederica and Juwita (2012: 7), in this study they argued that the influence US dollar exchange rate againsfdi in Indonesia in the short term as well in the long run, it has a negative and insignificant effect.

H3 : The US dollar exchange rate has a negative effect on fdi in Indonesia.

Brenton and Di Mauro in Mudara (2011: 6) the totalexports which continues to increase isto be followedan increase in fdithat enters the country's economyIn line with this opinion, the research results of Mudara (2011). According to the Gods&Swara (2013) and Soekro& Widodo (2015) show the total value of exportssignificant impact on foreign direct investment in Indonesia.According to Frederica and RatnaJuwita, the total exportis highincreasing continuously will be followed by an increase in foreign direct investmentwhich enters the country's economy, because of the total value of exportshas a positive and significant effect on foreign direct investment.

H4 :Total export has a positive effect on the entry of foreign investmentdirectly in Indonesia.

Factors affecting export demand is valueexchange rate (exchange rate), if there is a depreciation in the exchange rate it will increase demandexports and if there is an appreciation of the exchange rate it will reduce exports (Perdana et al.,2014). The exchange rate is an important economic indicator.Changes that occur in US dollar exchange rate will have an impact on various aspectseconomy, such as export and import performance, which are components of the balance sheet, inflation, and othervariables of macroeconomic. Change in US dollar exchange rate on the one hand if what happens is a depreciation of the currency then this is an effect on influence export performance and suppressing imports.

H5 :The US Dollar exchange rate moderates the export value to the entryfdiin Indonesia.

III. METHODS

This research was conducted on the amount of fdi that entered Indonesia in the period 1990-2019 by taking data through the official website of the Investment Coordinating Board (www.bkpm.go.id). The sample in this study is the total labor in Indonesia, the US dollar exchange rate, and total exports which are consistently recorded in the Central Bureau of Statistics (BPS) for the period 1990-2019 with a sample size of 30 research data. In this researchused is descriptive analysis, multiple linear regression analysis and moderated regression analysis. Descriptive analysis techniques, multiple linear regression and moderation regression tests are used to answer existing problems and test predetermined hypotheses. Descriptive analysis techniques are used to describe each variable. Regression analysis technique used to describe one dependent variable that is related to the independent variable. The moderating regression analysis technique is used to test the interaction of the moderating variable containing an element of interaction or not.

IV. RESULT AND DISCUSSION

The research variable description conveys information about the characteristics of the research variables consisting of the amount of observations, and described in the table. The Tableshows the results of the descriptive statistical.

Table 1
Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Foreign Direct Investment	30	5.977	39.914	17.17830	9.080818
Total Labor	30	113087806	201185014	155877123.73	26139508.495
Dollar Exchange	30	1.901	14.481	8.28887	4.077124
Export Value	30	26807.00	203496.00	100113.6000	58482.90954
Valid N (listwise)	30				

Source: Secondary Data, 2020

Descriptive statistical test in Table,shows the number of N as much as 30. This means that there are 30 observational data studied, consisting of 30 years of research, from 1990-2019.

Tabel 2
Results of Multiple Linear Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	-100.457	42.307		-2.374	.025
	Total Labor	5.759	2.533	1.889	2.274	.031
	Dollar Exchange	-.982	.306	-1.314	-3.211	.004
	Export Value	-.308	.502	-.379	-.614	.545

Sumber : Secondary Data, 2020

The significant of each independent variable less than 0.05.Labor variable (X1) partially has a significant effect on the fdi variable.

Data test answers the hypothesis regarding the role of the dollar exchange in moderating total exports against fdi in Indonesia to 1990-2019 using moderation regression analysis techniques. Moderation and regression through SPSS 18.0.

Tabel 3
Results of Moderation Regression Analysis

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	T	Sig.
1	(Constant)	-100.457	42.307		-2.374	.025
	Total Labor	5.759	2.533	1.889	2.274	.031
	Dollar Exchange	.674	.475	.830	1.420	.167
	Interaction of Dollar Exchange Rates and Export Value	-.982	.306	-2.415	-3.211	.004

Sumber :Secondary Data, 2020

The regression coefficient value of the labor variable,exchange rate and the interaction variable between thedollar exchange and the total exporthas a significant less than 0.05. Total labor, the US dollar exchange rate and the interaction variable between the US dollar exchange rate and the export value partially have a significant effect on the foreign investment variable.

Results of data analysis of the variable number of workers in this research have a significant effect on Fdiin Indonesia, the higher the available workforce will also be accompanied by the entry offdiin Indonesia.

Results of analysisvariable dollar exchange rate against foreign direct investment are significant negatively. This is corresponding with research (Amida et al., 2015) that the dollar exchange rate has a negative and significant effect. Research shows that fdi significantly affected by the dollar exchange rate or by increasing the dollar exchange rate, foreign direct investment will experience a decline in real terms.

Thedata analysis indicate significance value of the total export is greater than the specified significance requirement. This means that the export value variable in this study has no influence between the export value variable on fdiin Indonesia. This is corresponding with (Ditasari and Suharyono, 2017) which states that the total value of exports to FDI is insignificant.

The results of analysis show interaction of the export value variable with the dollar exchange rate is significant. The regression coefficient value of the interaction variable between the export value variable and the dollar exchange rate states that the dollar exchange rate variable weakens the relationship between total exports and fdiin Indonesia.

V. CONCLUSION

Total Labor, dollar exchange rate and the export value simultaneouslya significant effect on fdiin Indonesia, which means that this result means that all independent variables, namely total labor,exchange rate, total export and interaction variable between the exchange rate to the total export are capable predict or explain the phenomenon of foreign investment in Indonesia during the 1990-2019 period. This means that the model can be used for further analysis or in other words the model can be used to project because the results of goodness of fit are good. Total Laborpositive and significant effect on fdi in Indonesia. Dollar exchangehas a negative and significant effect on fdi in Indonesia. The total export is not significant for fdiin Indonesia. Total Labor in Indonesia dominant influence on fdi in Indonesia. Us dollar exchangea weakening effect in moderating the total export tofdi in Indonesia.

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