Effect of Investment in Providing Jobs

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Abstract. The implementation of development in Aceh Province requires strengthening local capacity in developing financial potential and the process of forming regional capital for expansion. Investment is also known as investment. Law number 25 of 2007 clarifies investment as a form of investment activity, both by domestic investors and foreign investors, to conduct business in the territory of the Republic of Indonesia. The location of this research is in Aceh Province. Secondary data is required for this study, and it was collected in the form of a twenty-year time series. The results of the path analysis test on the influence of investment on economic growth demonstrate a positive and substantial link, based on the results of the study and discussion that the researcher has explained. It indicates that investors can boost Aceh Province's economic growth.

Keywords: Investment; Employment; Poverty

1 Introduction

The position of the Aceh region since the independence revolution had undergone several status changes, namely when Aceh was under the administrative area of North Sumatra in 1947. With Law no. 10 / 1948, Aceh Residency is part of North Sumatra. In 1949 the Residency of Aceh was expelled from North Sumatra to become the Province of Aceh but later returned to the Residency of Aceh with Law no. 5 of 1950; from then on, there was political turmoil in Aceh until the formation of Law no. 24 of 1956 concerning the re-establishment of the Aceh Province which includes the entire Aceh Residency. To stop various problems in the Aceh Region, it was confirmed by Law no. 18 of 1965 that the status of Aceh Province as the Special Region of Aceh with broad autonomy in the fields of religion, customs, and education, and then granting special autonomy status with Law no. 18 of 2002 [1].

Related to the various problems that occurred in Aceh Province, both political issues and security problems due to political conflicts had made people's lives apprehensive, damaged social order, and disrupted economic activities. It even disrupted various service and development sectors, such as infrastructure, education, agriculture, health, and other sectors. This situation further added to the social and economic burden of the community when the devastating tsunami in 2004 occurred on the west-south coast of Aceh and destroyed public facilities and Aceh's economic infrastructure with a large number of human victims so that disaster is then remembered as a human tragedy.

The central government's attention to Aceh Province continues, with the enactment of Law no. 11 of 2006 concerning the Law on Governing Aceh (UUPA), which positions Aceh more precisely, especially towards a broader source of development financing with the addition of special autonomy funds which are valid for 20 years [1]. The Aceh government's special

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autonomy fund is one of the revenue sources used to fund infrastructure construction and maintenance and people's economic independence, poverty reduction, teaching, and health and social funding. (UUPA No. 11, 2006 Article 183).

Todaro explains that development strategies usually focus on efforts to create industrialization on a large scale so that sometimes it sacrifices the development interests of the agricultural sector and rural areas, which are no less important and valuable, must also be supported by non-economic social indicators such as literacy rates, education levels, health quality, housing needs, and others [2].

One of the targets that must be achieved in regional economic development is to overcome the excess supply of labor in the area, to avoid increasing unemployment. In the end, people live in poverty and suffering. Characteristics of the poor include high illiteracy rates, odd jobs with minimal income, working in the informal sector without any guarantees, living with poor sanitation, and suffering from malnutrition. Their health levels are inadequate, causing a low life expectancy. People in the province of Aceh can also experience this problem.

The implementation of development in Aceh Province requires strengthening local capacity in developing financial potential and the process of forming regional capital for expansion. This strengthening is essential for local governments, significantly boosting the economic base. Economic development aims to improve the financial structure through the development of the economic sector in an integrated, sustainable, and sustainable manner. Economic development and its growth in a region or region can be seen in Gross Regional Domestic Product development. Slowing economic growth can impact weak improvement in the level of employment opportunities and poverty which leads to low community welfare. The story of a region's Gross Regional Domestic Product does not necessarily reflect the even distribution of people's income. The fact shows that people's payments are not always evenly distributed, such as urban residents with residents in rural areas. The unequal distribution of income will lead to disparity.

Investment can also be referred to as investment. Investment is defined by Law No. 25 of 2007 as a type of investment activity that allows both domestic and foreign investors to conduct business in the Republic of Indonesia [3]. International investment is the activity of foreign investors engaging in conducting business in the Republic of Indonesia's territory, including those who employ entirely foreign cash and those who form joint ventures with native investors. Foreign capital, on the other hand, is money owned by a foreign government, a foreign individual, a foreign commercial company, or an Indonesian legal entity whose value is partially or entirely owned by a foreign party.

Sukirno states that other sources of development funds are obtained from abroad, divided into three groups, namely foreign aid, loans, and foreign investment [4]. The active business of developing countries to attract natural capital from abroad is caused by the realization that foreign aid and foreign loans are still not sufficient to overcome the problem of the double gap (savings and foreign currency) that they are facing with foreign investment, or more specifically direct investment can help overcome the problem of shortage of savings and foreign currency. In this way, foreign investment will increase investment and accelerate economic development while also bringing in management, entrepreneurs, experts, and knowledge of the market and marketing of the goods produced. Furthermore, in the long term, direct investment can train indigenous workers to acquire skills and accelerate the process of transferring new technologies.

Communities, governments, and national companies can also benefit from the presence of foreign capital, such as increasing job opportunities, reducing and overcoming unemployment problems faced by the government, high levels of productivity from the use of new technology, the ability to pay workers' salaries better due to efficiency, production results are better and cheaper, increase government revenue from taxes and royalties, make raw materials easier for national companies, and can sell their business products to foreign companies.

However, this does not mean that the presence of foreign capital will fully guarantee the success of economic development because it can also lead to various things that are not profitable in economic development itself in the long term, such as reducing the level of savings resulting from their activities, increasing the level of public consumption, and can also worsen the economy. The problem of shortage of foreign currency if their products are not exported or do not replace imported goods, and they import raw materials from abroad and send the profits earned to the parent company abroad. Foreign companies can hinder national companies similar to them and weaken the competition caused by several conditions. Suppose the consequences caused by the development of foreign companies are to threaten or even kill existing national companies. In that case, it is necessary to get protection because this is quite serious, especially causing unemployment and eliminating the livelihoods of a group of people.

Several factors that also influence investment in a country (Irham Fahmi, 2010, p. 112) are as follows [5] :

a. There is no apparent legal and regulatory certainty in regulating the implementation and concept of investment as well as guarantees in investing
b. The process of restructuring the company's debt has not been completed yet
c. The government must bear the debts of private companies by issuing new loan funds to cover the debts of private companies originating from the government treasury so that the stimulus from the economic recovery tends to slow down.
d. The process of political maturity has not shown faster progress even though it is continuously moving. Still, it depicts a character that is far from a mature form of thinking for the sake of the nation and state.

Domestic investment, as defined by Law No. 25 of 2007, is an investment activity carried out by domestic investors utilizing domestic funds to conduct business in the Republic of Indonesia [3]. Capital is a non-monetary asset with economic value that can be in the form of money or other documents and is owned by investors. Domestic capital, on the other hand, is capital owned by the Republic of Indonesia, individual Indonesians, or legal or illegal economic companies. Investment, according to Gunawan, is a net addition to the existing capital stock. Capital accumulation or capital accumulation is another name for investment, and it signifies that investment is not the same as capital [6].

The investment objective, according to Fahmi, is to achieve the expected effectiveness and efficiency of the investment, namely [5]:

a. Creating continuity in investment
b. The creation of maximum profit as expected (actual profit)
c. Creating prosperity for shareholders
d. Contribute to the development of the nation

Several factors that can affect the level of investment (Cakti Indra Gunawan, 2016, p. 75) are:

a. Expected rate of return
b. The company's internal conditions, such as the quality of human resources, technology, ownership of rights, market power, proximity to the center of power, and mastery of information channels
c. Company External Conditions
d. Investment cost
e. Loan interest rate
f. Institutional policy

2 Research Methods

The study will take place in Aceh Province. The data needed in the study is secondary data whose collection is time series of 20 (twenty) years, namely from 1998 to 2018. While the secondary data in this study were obtained from Central Statistics Agency (BPS) Province Aceh, Office of Manpower and Transmigration Office of Aceh Province, Office of Revenue Service of Aceh Province, Office of Regional Development Planning Agency (BAPPEDA) of Aceh Province. The secondary data obtained is complemented by relevant information from parties related to the government in Aceh Province.

These parties know and understand the secondary data that is the study material in this research. The parties who have provided information are the Central Statistics Agency (BPS) of Aceh Province, the Office of Manpower and Transmigration of Aceh Province, the Regional Revenue Service of Aceh Province, and the Office of the Regional Development Planning Agency (BAPPEDA) of Aceh Province. The analytical technique used to test the hypothesis regarding the Factors Affecting Gross Regional Domestic Product (GRDP) and its impact on Employment Opportunities and Poverty is Ordinary Least Square Technique for Multivariate Linear Regression Analysis. Linear regression analysis is used to determine the relationship between a variable [7].

3 Results and Discussion

Table 1. The model I. Multiple Regression Test Results

Variables	Beta Coefficient Standards	R	p-value	Standard error	R^2
Foreign Investment	0,405		0,001	0.7935	0,684
Private Investment	0,257	0,762	0,000	0.72	

Source: Processed data 2022

Y = 0,302 + 0,405.X1 + 0,257.X2 + ε1

Based on the regression equation above, all variables have a positive relationship to Gross Domestic Product (GRDP).

R = 0.762 is the degree of the close relationship between foreign investment and private investment. Statistically, it is a strong relationship. R2 of 68.40% means that the contribution of foreign and private investment variables is 68.40%, while the remaining 32.60% is determined by other variables not included in this study.

Table 2. Model 2 . Multiple Regression Test Results

Variable	Beta Coefficient Standard	R	p-value	Standard error	R^2
PDRB	0,435	0,904	0,001	0,735	0,79

Source: Processed data 2022

Effect of Gross Regional Domestic Product (GDP) on employment opportunities

Z1 = 0.304 + 0.435.Y + ε2

Based on the regression equation above, Gross Regional Domestic Product (GRDP) positively influences employment opportunities.

R = 0.904 means the degree of closeness of the relationship between Gross Domestic Product and employment opportunities. R2 = 79% means that the contribution of GRDP with employment opportunities is 79%, while the remaining 21% is determined by other variables that are not included in this research model.

Table 3. Model 3. Multiple Regression Test Result

Variable	Beta Coefficient Standard	R	p-value	Standard error	R^2
PDRB	0,356	0,763	0,001	0,203	0,68

Source: Processed data 2022

Effect of Gross Regional Domestic Product (GDP) on poverty

Z2 = 0.203 + 0.356.Y + ε2

Based on the regression equation above, Gross Regional Domestic Product (GRDP) positively influences poverty.

R = 0.763 means the degree of closeness of the relationship between Gross Domestic Product and poverty. R2 = 68% means that the contribution of GRDP to poverty is 68%, while the remaining 32% is determined by other variables not included in this research model.

Table 4. Model 4. Multiple Regression Test Result

Variable	Beta Coefficient Standard	R	p-value	Standard error	R^2
PDRB	0,356	0,764	0,001	0,203	0,701

Source : Processed data 2022

The effect of employment opportunities on poverty

Z2 = 0,269 + 0,356.Z + ε2

Based on the regression equation above, employment opportunities positively influence poverty.

R = 0.764 means the degree of closeness of the relationship between job opportunities and poverty. R2 = 70.1% means that the contribution of employment opportunities to poverty is 70.1%, while the remaining 29.9% is determined by other variables not included in this research model.

The significance threshold for the path analysis on the t-test on the hypothesis that investment influences economic growth is 0.006. The regression coefficient reveals a positive link, indicating that the bigger the investment, the greater the economic growth. Investments are expenditures aimed at increasing or maintaining the stock of capital goods consisting of machines, factories, offices, and other durable products used in the production process. Overall, two factors affect the investment amount, namely interest rates and the marginal efficiency of capital. MEC states the amount of profit obtained by investing the model, while the interest rate is the price level of money, namely what percentage of a certain amount of money must be returned or paid because the money is used. The two forces, namely the MEC and interest rates, are two forces that consistently attract and influence each other in determining the amount of investment [8].

By looking at the significance threshold of 0.009, the findings of the path analysis on the t-test reveal that investment has an effect on poverty levels. The regression coefficient establishes a negative link, implying that the bigger the investment, the lower the poverty rate. Poverty is a problem that many individuals face at some point in their life. Poverty is also often seen as a symptom of a mere low level of welfare, even though poverty is a symptom that is complex and multidimensional. In general, poverty is a condition or condition in which a person cannot meet basic life needs such as clothing, food, and housing [9].

Investment has an influence on the poverty rate through economic growth, according to research. Because capital development boosts production capacity, raises national revenue, and creates new employment, investment is critical to the nation's economic existence. In this situation, it will result in an increase in work opportunities [2]. Investment is a critical component of long-term economic growth and the continuation of economic development (sustainable development). Production activities (goods and services) in all areas of the economy are part of economic development. Job possibilities are produced as a result of manufacturing activities, and people's earnings rise, producing or growing market demand. The market develops, resulting in an increase in the number of production activities, job chances, and income opportunities inside the country, among other things, resulting in economic growth [10].

4 Conclusion

The findings of the path analysis test on the effect of investment on economic growth demonstrate a positive and substantial link, based on the results of the study and discussion that the researcher has provided. It demonstrates that investment may boost Aceh Province's economic growth. The impact of investment on poverty levels reveals a negative and significant link. It illustrates that increasing investment may help Aceh Province alleviate poverty.

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