

Analysis of the Impact of Foreign Direct Investment and Foreign Labor on the Economy of NTB

Dita Purnamasanti Lengkong^{1*}, Wahyunadi²
Fakultas Ekonomi dan Bisnis Universitas Mataram

Corresponding Author: dpldita257@gmail.com

ARTICLE INFO

Keywords: Foreign Labor,
Foreign Investment, Foreign
Workers

Received : 18, October

Revised : 20, November

Accepted: 22, December

©2024 Lengkong, Wahyunadi: This
is an open-access article distributed
under the terms of the [Creative
Commons Atribusi 4.0
Internasional](https://creativecommons.org/licenses/by/4.0/).



ABSTRACT

Economic progress is the main sign that shows the development and prosperity of a region. Every country certainly expects rapid economic growth to improve the welfare of its people. Economic growth is a consequence of various activities that support economic development. This study aims to analyze the impact of Foreign Direct Investment, Foreign Investment, and Foreign Labor on the NTB economy. This research uses secondary data. Using descriptive and associative quantitative methods with multiple linear regression analysis tools (time series data regression) and data sourced from the Central Bureau of Statistics, Manpower and Transmigration Office using the *evIEWS12* program. The results of this study indicate that the Foreign Investment variable partially has a significant positive effect on economic growth while the Foreign Labor variable has a positive but insignificant effect. And simultaneously the variables of Foreign Labor and Foreign Investment have a significant and simultaneous effect on economic growth.

INTRODUCTION

Economic progress is the main sign that shows the development and prosperity of a region. Every country certainly expects rapid economic growth to improve the welfare of its people. Economic growth is a consequence of various activities that support economic development (Ramadhanti.P, 2011). Development is one of the factors that can encourage increased growth. Economic growth is caused by an increase in the production of goods and services, which occurs due to an increase in the number and quality of factors of production. Investment is one of the main factors that encourage the increase of capital goods, technology, and labor (Caprara & Zimbardo, 2004).

According to (Todaro & Smith, 2006), economic growth can be measured by considering several main factors as indicators, namely technological progress, population increase, and capital accumulation. According to (Tarmizi et al., 2020), capital accumulation refers to all forms of investment, including investment from abroad and domestic investment. (Tarmizi et al., 2020) states that the gross domestic product (GRDP) of a region can be used to identify an increase or decrease. West Nusa Tenggara is one of the provinces that has enormous natural resource and tourism potential (Diener, 2000). In recent years, West Nusa Tenggara has experienced various development efforts driven by investment, both domestic and foreign (Haerani et al., 2019). One type of foreign investment that has entered West Nusa Tenggara is Foreign Direct Investment. Foreign Investment is one of the important instruments in accelerating economic development, increasing competitiveness, creating jobs in the region.

Foreign Direct Investment has great potential to boost the regional economy, but also presents various challenges. (Etika Sari & Sumanto, 2021) explains that foreign investment can accelerate infrastructure development and support economic growth by bringing more advanced technology and more modern managerial expertise. The West Nusa Tenggara Investment and One-Stop Integrated Service Office noted that investment realization from year to year can be said to be good, in the last 5 years there has been a significant increase in investment realization in West Nusa Tenggara, In 2019, the value of investment realization was recorded at IDR 10.02 trillion, increasing to IDR 11.6 trillion in 2020. Furthermore, this figure continued to grow to IDR 13.91 trillion in 2021, and reached IDR 21.6 trillion in 2022. The peak occurred in 2023, where investment realization broke through Rp 39.89 trillion, which was an increase of 145% compared to the target set for that year (source DPMPTSP).

The presence of foreign workers also contributes to the fulfillment of the need for experts and professionals in certain sectors that cannot be met by local workers. The existence of foreign workers in West Nusa Tenggara is also a noteworthy phenomenon. According to (Suryadi, 2020), although foreign workers bring useful skills and knowledge, if not managed properly, it can cause unhealthy competition in the local labor market. The influx of foreign workers into the Indonesian labor market, especially in West Nusa Tenggara, raises two sides of the coin, on the one hand, they can help fill the shortage of skilled workers in certain sectors such as technology, construction, and tourism, but on

the other hand, this also reduces employment opportunities for local workers who do not have the same skills.

According to research conducted by (Widodo, 2019), foreign workers are mostly placed in positions that require special skills, which are often difficult to fulfill by local workers. Although Foreign Direct Investment and Foreign Workers can provide positive benefits such as increased employment, technology transfer, and infrastructure improvements, there are also potential negative impacts that need to be considered (Haerani et al., 2019). Foreign workers in West Nusa Tenggara generally work in strategic sectors such as mining, tourism, and construction. In the mining sector, foreign workers are often placed in positions that require specialized technical skills that have not been mastered by local workers (Sabri & MacDonald, 2010). Meanwhile, in the tourism sector, especially in the Lombok region which is an international tourist destination, foreign workers often play a role in star hotel management, destination development, and business consulting. In the construction sector, foreign workers are usually involved in large infrastructure developments that require specific technical skills (source: BPS NTB and Disnakertrans).

The West Nusa Tenggara government through the Department of Manpower and Transmigration (Disnakertrans) is committed to ensuring that the presence of foreign workers provides optimal benefits for the region. Measures such as increased supervision, involvement of local communities, and cooperation with the Directorate of Foreign Worker Use Control of the Ministry of Manpower are carried out to effectively manage the presence of foreign workers. In addition, efforts to develop local human resources continue, including through vocational training and education to improve quality and skills. Along with the advancement of the global economy and the growing need for skilled workers in various sectors, it is imperative to conduct an in-depth analysis of the impact of foreign investment and foreign labor, to what extent both factors affect the local economy. Based on the background, it is necessary to conduct further research on how foreign investment and foreign labor affect the economy of West Nusa Tenggara.

LITERATUR REVIEW

Foreign Workers

Based on Government Regulation No. 34 of 2021 Article 1 Paragraph 1, Foreign Workers (TKA) are defined as foreign nationals who have visas for the purpose of working in Indonesian territory. Meanwhile, (Budiono, 1995) defines TKA as an individual who is not an Indonesian citizen but has the ability to do work, both in labor relations and outside of labor relations, with the aim of producing goods or services needed by the community. Based on this definition, a person who is not an Indonesian citizen and is in Indonesia, but does not aim to work, cannot be recommended as a TKA (Suryandono, 2017).

Foreign Investment

Foreign Direct Investment is an investment that involves investors directly in the business operations carried out, so that the business dynamics concerning the dynamics of the company set, the goals to be achieved, cannot be separated from interested parties / foreign investors (Ambarsari & Purnomo, 2005). According to (Krugman, 1991) FDI is an international capital flow in which companies from one country establish or expand their companies in other countries.

Economic Growth Theory

According to the Harrod-Domar theory of economic growth, economic growth occurs when there is capital formation or investment to achieve stable economic growth. This theory was proposed by economists Roy Harrod and Evsey Domar in the 1930s and 1940s. In the Harrod-Domar growth theory, it is explained that the level of savings is increasing and then invested, the level of output will also increase which has an impact on the faster growth of an economy (Arsyad, 2010).

Conceptual Framework

Based on the framework, it can be seen that there are 2 factors used to determine how the economy in NTB. These factors are Foreign Labor and Foreign Investment.

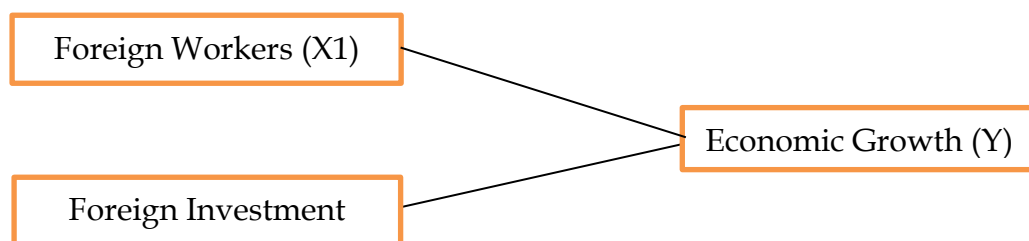


Figure 1. Conceptual Framework

According to Sugiyono (2019: 99), a hypothesis is a temporary answer that still needs to be tested through existing data. The hypotheses in this study are:

H1 = Foreign Labor variable has a significant effect on the NTB economy

H2 = Foreign Investment variable has a significant effect on the NTB economy

METHODHOLOGY

This research uses quantitative methods with descriptive and associative approaches. The type of data used is secondary data from the West Nusa Tenggara Provincial Manpower and Transmigration Office, the Central Bureau of Statistics and the data used in this study are time series data (data across time). The variables used consist of Foreign Labor, Foreign Investment and Economic Growth of West Nusa Tenggara Province within a period of 10 years. The analysis technique used is multiple linear regression using eviews12. The general equation model of multiple linear regression is as follows:

$$Y_t = \alpha + \beta_1 TKA + \beta_2 PMA + \dots + \beta_n X_n + e$$

Where:

Y=Economic Growth

α =Constant

$\beta_1, \beta_2, \beta_n$ = Regression Coefficient

TKA=Foreign Labor

FDI=Foreign Investment

e=error

As well as conducting 4 Classical Assumption Tests, including the following:

Normality Test

Normality test to test whether in the regression model there is a normal distribution between the dependent variable and the independent variable.

Multicollinearity Test

According to (Sugiyono, 2019), the multicollinearity test is a statistical technique to test whether the regression model has problems between the independent variables. This test aims to see if there is a high correlation between the independent variables in the multiple linear regression model.

Autocorrelation Test

According to (Danang, 2013) explaining the autocorrelation test is as follows: "A good regression equation is one that does not have autocorrelation problems. If autocorrelation occurs, the equation is not good or not worth using predictions. A new autocorrelation problem arises if there is a linear correlation between the period t (current) confounding error and the period t-1 (previous) confounding error. Thus it can be said that the classic autocorrelation assumption test is carried out for time series data or data that has a time series".

Heteroscedasticity Test

As stated by Danang (2013), the explanation of the heteroscedasticity test is as follows: "In a multiple regression equation, it is essential to assess whether the variance of the residuals varies from one observation to another. When the residuals exhibit consistent variance, this condition is referred to as Homoscedasticity. Conversely, if the variance differs, it is termed heteroscedasticity. A well-constructed regression equation should ideally be free from heteroscedasticity."

RESEARCH RESULTH

Multiple Linear Regression Analysis

Table 1. Multiple Linear Regression Analysis

Dependent Variable: Y
 Method: Least Squares
 Date: 11/13/24 Time: 23:31
 Sample: 2014 2023
 Included observations: 10

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-17.06993	11.01146	-1.550197	0.1650
TKA	0.120599	0.114103	1.056929	0.3256
PMA	1.662514	0.501682	3.313879	0.0129
R-squared	0.630836	Mean dependent var		4.266000
Adjusted R-squared	0.525360	S.D. dependent var		7.029146
S.E. of regression	4.842667	Akaike info criterion		6.236133
Sum squared resid	164.1600	Schwarz criterion		6.326909
Log likelihood	-28.18067	Hannan-Quinn criter.		6.136553
F-statistic	5.980874	Durbin-Watson stat		1.952226
Prob(F-statistic)	0.030568			

Source: Results of eview 12 data processing

$$Y = -17.06993 + 0.120599TKA + 1.662514PMA$$

Based on the table above, we can see the regression equation analysis as follows:

- The value of β , a constant of -17.06993 means that if the TKA and PMA variables are equal to 0, then the value of variable y is -17.06993 in other words that without TKA and PMA the economy or growth is -17.06993.
- The coefficient value of TKA is 0.120599, which means that when TKA increases by 1%, economic growth will increase by 1.20599%.
- The coefficient value of FDI is 1.662514, which means that when FDI increases by 1%, economic growth will increase by 1.662514%.

Table 2. Multicollinearity Test

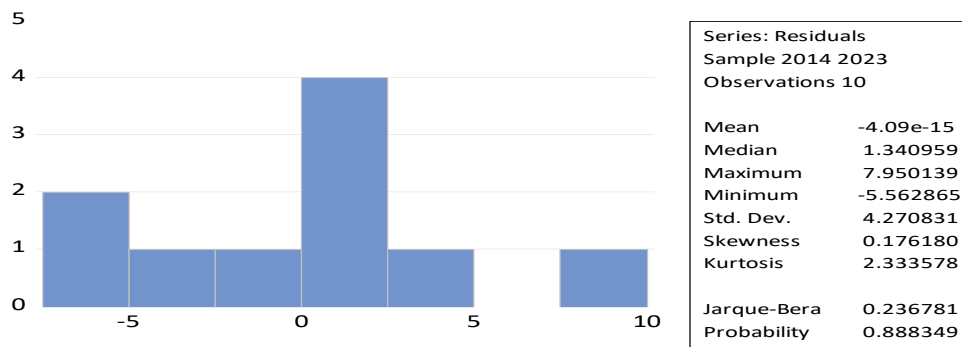
Variance Inflation Factors
 Date: 11/13/24 Time: 23:39
 Sample: 2014 2023
 Included observations: 10

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	121.2523	51.70361	NA
TKA	0.013019	46.97382	1.000411
PMA	0.251685	5.169094	1.000411

Source: The results of eview12 data processing

Based on calculations using eviews12 in table 2, the VIF value of the Foreign Workforce (TKA) and Foreign Investment (PMA) variables is smaller than 10, so there is no Multicollinearity or passes the Multicollinearity Classical Assumption Test.

Table 3. Normality Test



Source: Eview12 data processing results

Based on the results of the Jarque-Bera statistical test, a value of 0.236781 (>0.05) is obtained, where this value indicates that the residuals are normally distributed (passes the normality test). In this study, the White Heteroscedasticity Test method was used to detect heteroscedasticity problems.

Table 4. Heteroscedasticity Test

Heteroskedasticity Test: White
 Null hypothesis: Homoskedasticity

F-statistic	9.301958	Prob. F(5,4)	0.0253
Obs*R-squared	9.208074	Prob. Chi-Square(5)	0.1010
Scaled explained SS	3.008524	Prob. Chi-Square(5)	0.6987

Source: Eviews12 data processing results

Based on the test results in table 4, the calculated Chi-Square value (Obs * R-squared) is 9.208074 (>0.05), it can be concluded that there is no heteroscedasticity problem or passes the classic heteroscedasticity assumption test. To detect autocorrelation in time series data, the Breusch-Godfrey Serial Correlation LM Test method is used. With the following results:

Table 5. Autocorrelation Test

Breusch-Godfrey Serial Correlation LM Test:
 Null hypothesis: No serial correlation at up to 2 lags

F-statistic	0.030402	Prob. F(2,5)	0.9702
Obs*R-squared	0.120146	Prob. Chi-Square(2)	0.9417

Source: Eviews12 data processing results

Based on the results of the autocorrelation test in table 5, it can be seen that the Obs * R-squared value is 0.120146 (>0.05), so it can be concluded that there is no autocorrelation problem or the classic autocorrelation assumption test has been fulfilled.

Hypothesis Test

The influence of the independent variable on the dependent variable is partially described as follows:

- a. b. The t test results on the TKA variable obtained the t value of $1.056929 < t_{table}$, namely 2.306004 with a sig value of $0.3256 > 0.05$, then H_a is rejected and H_o is accepted, meaning that the TKA variable has no effect on Y.
- b. The t test results on the FDI variable obtained the t value of $3.313879 > t_{table}$, namely 2.306004 with a sig value of $0.0129 < 0.05$, then H_o is rejected and H_a is accepted, meaning that the FDI variable has an effect on Y

The results of the simultaneous F test indicate a joint effect of the independent variables on the dependent variable, with an F count value of 0.030568 (which is less than 0.05). Consequently, the null hypothesis (H_o) is rejected in favor of the alternative hypothesis (H_a). This leads to the conclusion that the TKA and PMA variables exert a significant and simultaneous influence on the Y variable. Furthermore, the regression analysis reveals a coefficient of determination (R^2) of 0.630836 , suggesting that the independent variables, TKA and FDI, account for 63.08% of the variation in the dependent variable, which is economic growth, while the remaining 36.92% is attributed to other factors not included in this study.

DISCUSSION

Foreign Labor on Economic Growth

The findings from the multiple linear regression analysis indicate that foreign labor positively influences the economy of West Nusa Tenggara. These results align with the research conducted by Ottaviano and Peri (2012), which suggests that the presence of foreign labor contributes positively to economic growth by enhancing skill diversification.

Foreign Investment on Economic Growth

The test results using multiple linear regression show that Foreign Direct Investment has a positive effect on the economy in West Nusa Tenggara. This is in line with the results of research from (Jayanti, 2019) Foreign Investment has a significant effect on economic growth in North Sumatra with a probability value of 0.0169 and the t-count is greater than the t-table, namely $2.419521 > 1.65685$.

CONCLUSIONS AND RECOMMENDATIONS

Overall, both Foreign Direct Investment and Foreign Labor have a significant impact on West Nusa Tenggara's economy, although the positive impact of Foreign Direct Investment is more pronounced in terms of economic sector improvement and job creation. Foreign workers, meanwhile, contribute to filling positions that require specialized skills. However, over-reliance on foreign workers may become an issue in the long run, especially if not balanced with efforts to improve the skills of the local workforce.

Suggestions that can be given are that the West Nusa Tenggara government is expected in the future to improve the quality of local labor through policies related to foreign workers, such as encouraging increased productivity of local workers, providing job training. This is so that local labor can be equal to and even surpass foreign workers, so that they can compete at the international level.

ADVANCED RESEARCH

This research is still not said to be perfect, there are still many things that need to be considered and improved for the future. Every research certainly has limitations both internal and external. Therefore, further research is needed to make this study even better.

ACKNOWLEDGMENTS

We would like to thank all levels at the Faculty of Economics and Business, University of Mataram, especially the Head of the Department of Economic Development Studies, for the opportunity given to us to carry out this research. We hope that this research will be able to contribute to the academic world and the government in regulating policies regarding Foreign Investment and Foreign Workers so that they can be given more attention, especially to Local Workers so that they can improve the economy of West Nusa Tenggara.

REFERENCES

- Ambarsari, I., & Purnomo, D. (2005). Studi Tentang Penanaman Modal Asing di Indonesia. *Jurnal Ekonomi Pembangunan*, 6(1), 26-27.
- Arsyad, L. (2010). *Ekonomi Pembangunan*. Yogyakarta: UPP STIM YKPN.
- Budiono, A. R. (1995). *Hukum Perburuhan di Indonesia*. Jakarta : PT. Rajawali Grafindo Persada.
- Caprara, G. V., & Zimbardo, P. G. (2004). Personalizing politics: A congruency model of political preference. *American Psychologist*, 1(1), 1-13.
- Danang, S. (2013). *Metodologi Penelitian Akuntansi*. Bandung: PT Refika Aditama Anggota Ikapi.
- Diener, E. (2000). Subjective well-being: The science of happiness and a proposal for a national index. *American Psychologist*.
- Etika Sari, F., & Sumanto, A. (2021). Pengaruh PMA dan PMDN terhadap penyerapan tenaga kerja pada sub sektor industri pengolahan Kabupaten Mojokerto. *Bisnis Dan Pendidikan*, 1(10), 1011-1024.
- Haerani, S., Parmitasari, R. D. A., Aponno, E. H., & Aunalal, Z. I. (2019). Moderating effects of age on personality, driving behavior towards driving outcomes. *International Journal of Human Rights in Healthcare*, 1(1), 1-16.
- Jayanti, S. (2019). Pengaruh Penanaman Modal Dalam Negeri, Penanaman Modal Asing dan Angkatan Kerja Terhadap Pertumbuhan Ekonomi Provinsi Sumatera Utara. Universitas Islam Negeri Sumatera Utara.
- Krugman, P. (1991). Increasing Returns and Economic Geography. *Journal of Political Economy*, 99(3), 483-499.

- Ottaviano, G. I. P., & Peri, G. (2012). Rethinking The Effect Of Immigration On Wages. *Journal of the European Economic Association, European Economic Association*, 10(1), 152-197.
- Ramadhanti,P, F. (2011). Analisis Pengaruh PMA dan PMDN Terhadap PDRB.
- Sabri, M. F., & MacDonald, M. (2010). Savings Behavior and Financial Problems among College Students: The Role of Financial Literacy in Malaysia | Sabri | *Cross-cultural Communication. Crosscultural Communication*.
- Sugiyono. (2019). *Metode Penelitian Kuantitatif, Kualitatif dan R&D* (2nd ed.). Bandung : Alfabeta.
- Suryadi, A. (2020). *Teknologi Dan Media Pembelajaran*.
- Suryandono, W. (2017). *Tenaga Kerja Asing, Analisis Politik Hukum*. Jakarta : Yayasan Pustaka Obor Indonesia.
- Tarmizi, T., Hodijah, S., & Rosmeli, R. (2020). Pengaruh penanaman modal dalam Negeri, penanaman modal asing dan ekspor terhadap PDRB Provinsi Jambi Periode 2000- 2016. *E-Journal Perdagangan Industri Dan Moneter*, 8(3), 1-14.
- Todaro, M. P., & Smith, S. . (2006). *Pembangunan Ekonomi* (1st ed.). Jakarta : Erlangga.
- Widodo. (2019). *Metode penelitian : Polpuler dan praktis*. Jakarta : Rajawali Per.