

Determinants of Banking Credit, Investment and GDP on Employment in Indonesia for the Period 2004 – 2023

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ABSTRACT

This study discusses the determinants of banking credit, investment and GDP on employment in Indonesia using time series data from 2004 to 2023, this study uses the SPSS calculation tool, Based on the results of the study above that the banking credit variable partially has no effect on labor absorption, the investment variable partially has an influence on the labor absorption variable, and the variable Gross domestic product partially has an influence on the variable of labor absorption. As for simultaneously the variables of Banking Credit, Investment and gross domestic products have an effect and are significant on the variable of labor income.

INTRODUCTION

Indonesia is a vast archipelagic country and has a population of 280.73 million people, with a large population Indonesia has the opportunity to become developed with abundant demographic bonuses in the form of human and natural resources.

In order to realize a developed Indonesian state, the Indonesian government must encourage good economic growth by using good technology, so as to grow the economy and absorb available labor. This is in line with Todaro's view (2015, p, 104) which states that development is a multidimensional process that involves major changes in social structure, community behavior, national institutions in accelerating equitable economic growth and increasing welfare through poverty elimination, so as to encourage an increase in national income and per capita income whose impact will increase economic growth and community welfare. In order to realize a developed Indonesian state, the Indonesian government must encourage good economic growth by using good technology, so as to grow the economy and absorb available labor. This is in line with Todaro's view (2015, p, 104) which states that development is a multidimensional process that involves major changes in social structure, community behavior, national institutions in accelerating equitable economic growth and increasing welfare through poverty elimination, so as to encourage an increase in national income and per capita income whose impact will increase economic growth and community welfare.

The country's economic development can be sourced from how the state can optimize all the potential of natural resources, human resources in this case labor, investment from outside and within the country in the form of funding or financing and technology transfer, development facilities and infrastructure, transportation and telecommunications, industrial composition, technology, political, economic conditions and cooperation between countries and other supporting factors to build a better economy, This is in line with the view of Sadono (2016, p.117) who states the economic success of a country or region by looking at economic growth in that location, the country's economy will tend to increase from year to year because there are several factors that encourage economic growth including increasing production factors, the number of working labor force and high levels of public consumption. As for the number of workers in Indonesia.

The following is a graph of the number of workers absorbed in the business sector

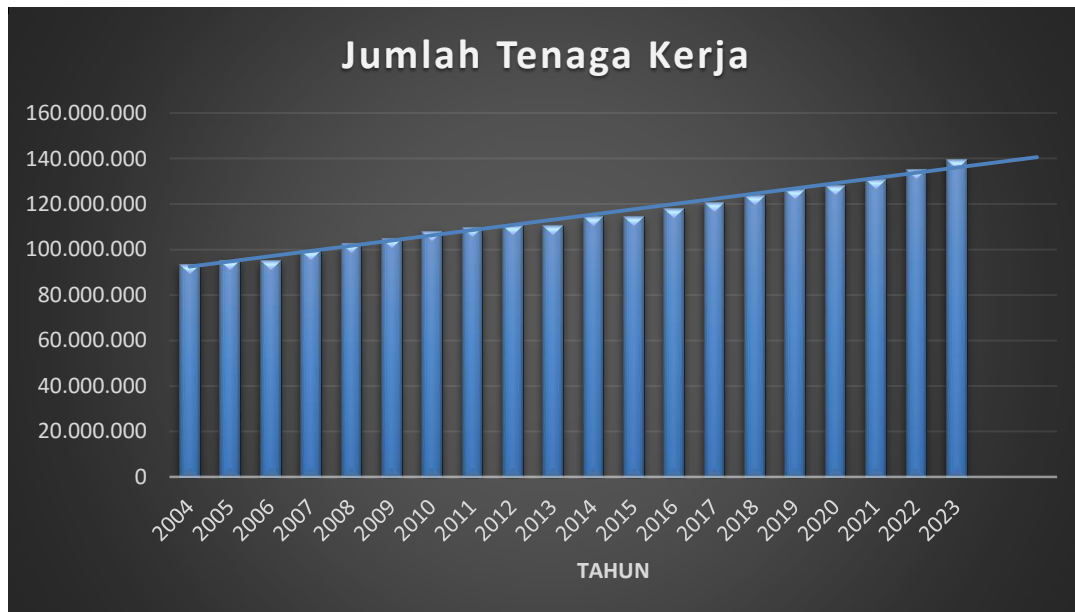


Figure 1. Graph of the Number of Indonesian Workers Source : BPS data processed

Based on the graphic image above, the number of workers in Indonesia who are absorbed into the industrial world is increasing every year, where in 2004 the absorbed workforce was 93,722,452 million people and in 2023 the number of workers absorbed increased to 139,852,511 million people, this is due to good economic growth supported by good investment as well.

Good economic growth must be driven by the competitiveness of the country in processing investment well in order to create goods and services that can be consumed by the public in the form of increasing GDP, According to the European Commission that a country's competitiveness can be measured through the ability to create goods and services needed by national and international markets, and can maintain high and sustainable incomes, or it can be called the ability (regions) to create high income and employment opportunities that focus on external competitiveness (European Commission, 1999 p.4. in Garnier, Martin and Tyler, 2014).

The role of the government in achieving community welfare is very large where the policies made will have an impact on the economic growth of the community in running the wheels of the economy, this is in agreement with sirojuzilam and mahalli (2015, p.48) which states that the economic growth of a country or region can be reflected by government policies made and implemented, especially in the economic sector, meaning if the government makes supportive policies Economic growth and maintaining good monetary economic stability such as providing ease of investment will be able to encourage good economic growth so that GDP / GDP growth will grow and can reduce unemployment by absorbing available labor.

LITERATURE REVIEW

1. Theory of Economic Development

Economic development is a very important process in encouraging economic growth, this is not spared from some of the economic potential of the country or region which must run in harmony so that the goals of economic development can be achieved and survive sustainably. This is in agreement with Soeparmoko (2015, p.98) who stated that to develop a country or region by optimizing the potentials of the country or region so that the economic potential can grow and develop continuously as a source of livelihood for the community and encourage the economy independently and sustainably.

Economic development according to Adam Smith in kuncoro (2018, p.78) there are 5 stages where the stages are interrelated sequentially, the initial stages start from the hunting period, livestock period, farming period, trading period, and industrial period, where Adam Smith describes that the process seeks to increase productivity and job specialization, then to encourage performance productivity requires skills from workers, Modern invention of machine technology in production that can increase the number of products. Modernization formed in a country will be able to trigger new needs in the community, so that it will have an impact on economic growth in society, so to support economic growth requires large capital accumulation to accelerate economic development. And with the accumulation of capital formed will be able to absorb available labor, encourage new discoveries in the field of technology, increase work specialization so that the output of it will increase the per capita of the community this is in accordance with the opinion of Budiono (2013, p.92) states economic growth is a process of increasing per capita output in the long run. and the impact will be able to increase the number of markets that meet their needs, if the needs of the community have been met it will be able to increase the welfare and economic growth in the country.

2. Banking Credit

Based on Banking Law no.10 of 1998, credit is the provision of money or bills based on agreements and loan agreements between banks with other parties that require borrowing parties to pay off their debts within a predetermined time in exchange for agreed interest. As for according to Kasmir (2015, p.69). Credit is the activity of obtaining an item that is desired by paying installments or installments in the future, or the process of obtaining a money loan from another party, the return of which is later by the process of installments or installments according to mutual agreement, in this case credit transactions can be in the form of goods or money whose payment process uses certain installment or installment methods.

Every credit transaction offered by the banking or other financial services must be accompanied by mutual agreement between the lender and the borrower relating to the return of services from the loan (interest) and the installment period that must be repaid. Credit can also be a picture of a person's ability to get something of economic value with the promise to be able to pay

off his debt at a specified time with a fee in the form of costs M. Jakile (2016, p.45).

According to Mussardo (2019), credit is all types of loans that must be paid back along with the yield (interest) by the borrower with an agreed agreement. Meanwhile, according to Saragih (2020), credit is the right to obtain the desired goods or services and proceed with payments or obligations that must be paid at a mutually agreed time.

Banking credit can be concluded that the process of placing money or funds that have been collected by banks that are distributed to borrowers Money or funds (creditors) is common with an agreement to return these funds according to a specified period so that the debtor benefits (interest) from the difference in funds given with the installments paid.

3. Investment

Investment or investment is explained in Law No. 25 of 2007 article 1 paragraph 1 which reads investment, namely all forms of capital investment activities, both by domestic investors (PMDN) and investors from abroad (PMA) to do business in the territory of the Republic of Indonesia, as for domestic investment (PMDN) investment / investment activities to conduct domestic business using capital from within the country, while Foreign Direct Investment (PMA) activities invest or invest to do business in the country (in the territory of Indonesia) either using foreign capital entirely or cooperating with domestic investors.

Investment is a means and motivation to build the economy in this case efforts to expand the use of labor to encourage increased production, investment is also an important and vital factor for economic growth and development in each country. Investment invested in the economic and industrial sectors can spur productivity to produce goods and services that can absorb labor and have an impact on the movement of the country's economy, this is in agreement with research (Dylan Trotsek, 2017) that continuous investment by the community will have an impact on improving the economy and employment opportunities, increasing national income, and will improve community welfare.

This is in accordance with research (Ria, A. 2024) which states that investment is the expenditure or capital expenditure of individuals or business entities for spending on production goods, to increase the production capacity of goods and services available in the economy from domestic capital / investment or foreign investment, and the investment invested will be able to increase production volume which will further increase labor absorption and Encourage per capita income growth and improve prosperity.

4. Gross Domestic Product (GDP)

Gross domestic product can be proxied by economic growth where the increase in the long-term capacity of the country to provide various economic goods to its population, the increase in production capacity due to several factors including investment invested and the latest technology used. This will encourage high and sustainable economic growth and can increase

development that has an impact on the better welfare of the community. this is in line with the view (Arsyad, 2015) related to Economic Growth which is associated with an increase in GDP or GNP without regard to whether the increase is greater or smaller than population growth, whether there is a change in economic structure or whether there is an improvement in the system. Gross domestic product can be proxied by economic growth where the increase in the long-term capacity of the country to provide various economic goods to its population, the increase in production capacity due to several factors including investment invested and the latest technology used. This will encourage high and sustainable economic growth and can increase development that has an impact on the better welfare of the community. this is in line with the view (Arsyad, 2015) related to Economic Growth which is associated with an increase in GDP or GNP without regard to whether the increase is greater or smaller than population growth, whether there is a change in economic structure or whether there is an improvement in the system.

According to Sollow-swan in Amalia Et.al (2016) states that economic growth depends on the increasing provision of production factors such as the number of population, number of workers, accumulation of capital spent and technological advances used, this opinion describes the more population, the number of workers, the accumulation of capital spent and the technology available will be greater the opportunity to increase economic growth (GDP) of a country.

GDP can describe the amount of goods and services that have been produced/produced in a country in a certain period, (Talahaturusun, et.al 2023) and GDP growth can be used as a main indicator for a country's economic progress, (Sartika et al., 2019). In this case, the government must be able to take advantage of existing opportunities from human and natural resources in order to encourage an increase in GDP, this is in agreement with (Silitonga 2021) that GDP can be used as an indicator to evaluate the success of economic policies which will later be able to influence government policy steps in the future.

5. Workforce

Based on Law no. 13 of 2003, it is stated that labor is everyone who is able to carry out work activities to create goods or services either to meet the needs of others or meet their own needs. Regarding labor, the population of a country is divided into two groups, namely residents who are included in the labor group aged between 15 years to 64 years old, and the second group of non-workers are residents under 15 years old and over 64 years old (who are still in school, taking care of the household and doing other activities other than personal activities) BPS (2020).

According to (Idham. 2018) in the labor market there is something called demand and supply of labor, if the two things are balanced, it will form positive usage interactions for the labor provider community and labor provider companies, so that it will affect positive economic growth from the absorption of available labor. This is in agreement with Kuncoro in Wahyudi et.al (2023) stating that the absorption of the working population is due to the demand for

labor in the labor market, this must be balanced with the amount of labor demand against the number of available workers and have the competencies needed by employers.

The amount of demand for labor can be influenced by other factors including how much production is produced, the amount of technology used etc. This means that the larger the product produced and the less the amount of technology used, it will be able to absorb a large workforce.

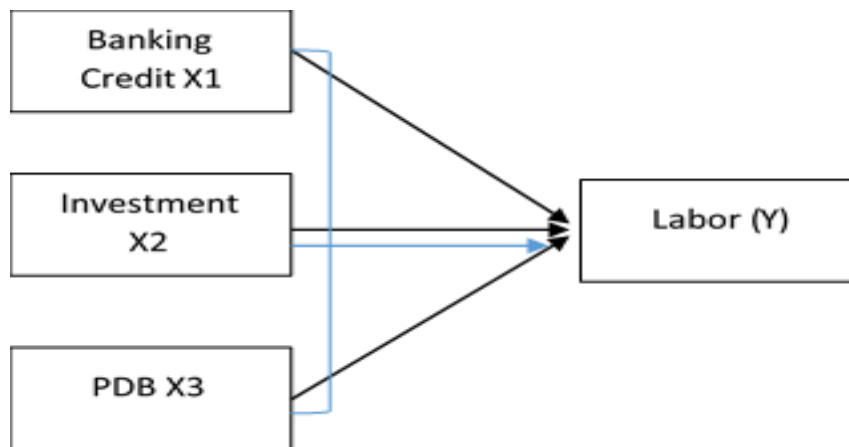


Figure 1. Conceptual Framework

METHODOLOGY

This study used quantitative methods with multiple linear regression analysis data. The variables in this study consist of Banking Credit (X1), Investment (X2) and Gross Domestic Product (GDP) (X3) as independent variables while Labor Absorption (Y) as a dependent variable. This research data was taken during the period 2004 – 2023 using a saturated sample technique (census method) where all members of the population were sampled within a period of 20 years which included time series research data.

Because this study uses secondary data, to meet data needs, the data collection method used from this study is data in the form of published literature studies sourced from data from the Central Statistics Agency (BPS) Indonesia, the collection of secondary data, namely research data obtained indirectly from institutions or official agencies that are known publicly.

The data analysis tool used in this study uses SPSS, to look for correlations and multiple linear regressions in its testing. The analysis method used in this study is Multiple Linear Regression analysis which aims to determine how much influence Banking Credit (X1), Investment (X2) and Gross Domestic Product (GDP) (X3) have on Employment (Y). However, before multiple regression analysis is carried out, multiple linear regression requirements test or classical assumption test is analyzed.

RESEARCH RESULT

To support this research requires data from the variables to be processed. The data from this research variable consists of Banking Credit (X1), Investment (X2) and Gross Domestic Product (GDP) (X3) variables while Employment (Y) during the period 2004 – 2023 within 20 years. In order to facilitate the processing of data, the above variables in Ln are the use of natural log (Ln) in this study intended to reduce fluctuations in different data. If the values of the variables are directly used, the value of the variables will be very large and the tendency of this secondary data is distorted so that it must be processed first. By using natural logs, these different values are simplified, without changing the proportion of the actual origin values. The variable data on Banking Credit (X1), Investment (X2) and Gross Domestic Product (GDP) (X3) on Employment (Y) have been listed as follows:

Tabel 1.
Research Variable Data Loaned (in millions of rupiah)

		X1	X2	X3	Y
No	Tahun	Kredit Perbankan	Investasi	PDB	Tenaga Kerja
1	2004	13,76223	1,832581	14,32274	18,35585
2	2005	13,96253	2,460443	14,37486	18,37259
3	2006	14,15361	3,072693	14,42896	18,37429
4	2007	14,36309	4,835806	14,49052	18,42005
5	2008	14,53166	5,038186	14,54893	18,44589
6	2009	14,65633	4,907199	14,59348	18,46824
7	2010	14,84862	5,339939	15,74182	18,49956
8	2011	15,05851	5,526647	15,87369	18,51299
9	2012	15,25947	5,746842	15,9691	18,52331
10	2013	15,40431	5,966916	16,07165	18,52327
11	2014	15,53036	6,137943	15,96336	18,5572
12	2015	15,61571	6,301519	16,0108	18,55887
13	2016	15,71467	6,418039	16,0599	18,58968
14	2017	15,80316	6,540741	16,10933	18,61149
15	2018	15,88749	6,614927	16,1598	18,63591
16	2019	15,9467	6,706972	16,20877	18,65587
17	2020	16,03979	6,722955	16,1879	18,67108
18	2021	16,14532	6,803527	16,22426	18,69109
19	2022	16,23511	7,096059	16,27597	18,72298
20	2023	16,2844	7,257637	16,32522	18,7561

Sumber: Data BPS, Processed by researchers

Classical Assumption Test Results

From the existing data, this study was carried out by testing the requirements of multiple regression analysis through classical assumption tests, where in observation this secondary data requires classical assumption tests including

Normality Test, Multicollinearity Test, Heteroscedasticity Test and Otorrelation Test. The results obtained in this study are as follows:

Normality Testing

Tabel 2.
One-Sample Kolmogorov-Smirnov Test

		Kredit Perbankan	Investasi	PDB	Tenaga Kerja
N		20	20	20	20
Normal	Mean	1393004715.4000	5282810215.1500	1422374250.6000	1519718175.7000
Parameters ^{a,b}	Std. Deviation	432447030.53068	1871222958.09757	440411295.89526	684210403.41468
Most Extreme	Absolute	.385	.206	.409	.478
Differences	Positive	.293	.146	.317	.301
	Negative	-.385	-.206	-.409	-.478
Asymp. Sig. (2-tailed)		.385	.206	.409	.478

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

Multicollinearity Testing

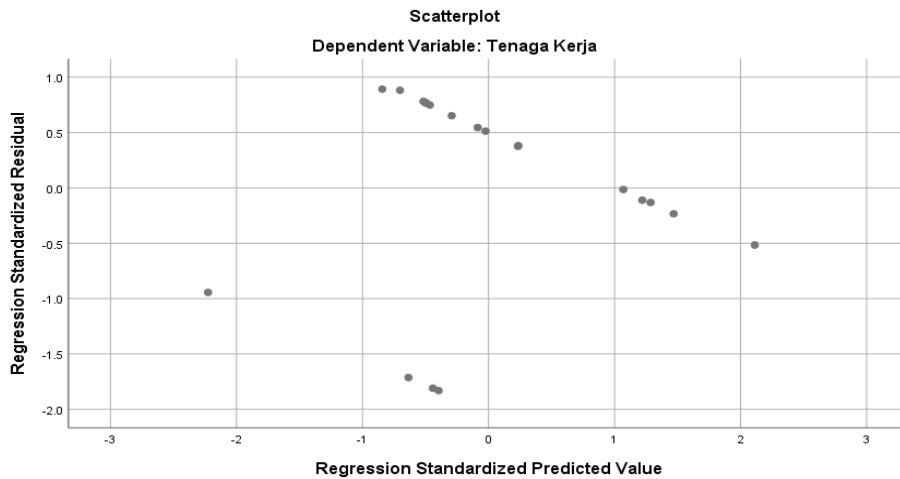
Tabel 3.
Coefficients^a

Model	Collinearity Statistics	
	Tolerance	VIF
1 (Constant)		
Kredit Perbankan	.935	1.070
Investasi	.928	1.078
PDB	.990	1.011

a. Dependent Variable: Tenaga Kerja

From table 3 above to conduct a multicollinearity test, this test has the intention to analyze whether there is a correlation between independent variables through the value of Variance Inflation Factor (VIF) for three independent variables valued at $X_1 = 1.070$, $X_2 = 1.078$, $X_3 = 1.011$ (smaller < than number 10) while tolerance $X_1 = 0.935$, $X_2 = 0.928$, $X_3 = 0.990$ (not around number 1). These VIF values are smaller than 10, which indicates that there is no multicollinearity between independent variables in the regression model. Based on the data above, it can be concluded that this regression model does not experience multicollinearity disorders.

Heteroscedasticity Testing Gambar 1 Scatter Plot Uji Heteroskedastisitas



Next, the classical assumption test must perform a heteroscedasticity test. This happens because of changes in situations that are not described in the regression model specifications, for example if there are changes in the structure of the economy, society, politics and government policies that have an impact on changes in the level of data accuracy. Examination of heteroscedasticity symptoms is to look at the scatter plot diagram pattern for heteroscedasticity tests. From the visualization in Figure 1 above, you can see that the focus points are randomly scattered around the number 0 on the Y-axis, both above and below it.

This shows that there is no clear pattern of residual variability, indicating that there is no heteroscedasticity in the regression model. Therefore, this regression model can be considered suitable for predicting The plot chart graph above is a residual scatter diagram, the decision on the scatter diagram turns out to form a random pattern that spreads. Then it can be explained that regression does not undergo heteroscedasticity.

Otocorrelation Testing

Tabel 4.
Model Summary^b

Model	Durbin-Watson
1	1.759

a. Predictors: (Constant), PDB, Kredit Perbankan, Investasi

b. Dependent Variable: Tenaga Kerja

The results of the Otorcorrelation test through Durbin-Watson values (DW test), with the standards used are $d_U < d < 4 - d_U$ according to Imam Ghazali, (2011) if you get the Durbin-watson value count = 1.759, DW table at α 0.05 $d_L = 0.997$ while $d_U = 1.676$. DW calculate $> d_L$ ($1.759 > 0.997$), so there is no tocorcorrelation disorder. Or the value of d_U obtained results ($4 - 0.997 = 3.003$) $> d$ (1.759) so that there is no otocorrelation.

Hypothesis Testing

The purpose of this test is to find out whether the relationship between the independent variable and the dependent variable with alpha significance level = 5%. In the analysis of this study, multiple regression analysis was used.

Coefficient of Determination Test Results (R2 Test)

Tabel 5
Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.668 ^a	.619	.572	658957783.34517

a. Predictors: (Constant), PDB, Kredit Perbankan, Investasi

b. Dependent Variable: Tenaga Kerja

Table 3 shows that the R value is 0.668, indicating that the relationship between the variables Banking Credit (X1), Investment (X2) and Gross Domestic Product (GDP) (X3) as independent variables while Employment (Y) is very strong. Meanwhile, the adjusted R2 value of 0.572, or equivalent to 57.2%, indicates that the contribution of the variables Banking Credit (X1), Investment (X2) and Gross Domestic Product (GDP) (X3) to Employment (Y) affects 57.2% while the remaining 42.8% of components outside this variable are not included in this study.

Individual Test Results (T-Statistical Test)

Tabel 6
Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients Beta	t	Sig.
	B	Std. Error			
1 (Constant)	5.468	7.375		2.641	.018
Kredit Perbankan	.457	.362	.289	1.265	.224
Investasi	-.139	.084	-.381	-1.660	.001
PDB	-.274	.345	-.176	-.794	.004

a. Dependent Variable: Tenaga Kerja

Sumber: data diolah peneliti

The Individual Parameter Significance Test (Statistical Test) results as follows: Banking Credit Variable (X₁) Therefore, the value of $\alpha < \text{Sig}$ ($0.05 < 0.224$) means that it does not have a significant effect partially/individually on bank credit absorption. Next: Investment Variable (X₂) By $\alpha > \text{Sig}$ ($0.05 > 0.001$)

means that it has a significant influence on partial/individual banking credit on employment but has a good relationship. negative means that if the increase in investment here does not necessarily increase the absorption of labor in Indonesia. Furthermore, the variable Gross Domestic Product (GDP) (X₃) has a result of $\alpha > \text{Sig}$ ($0.05 > 0.004$) has a significant influence partially / individually GDP on labor absorption, but this variable also has a negative relationship, meaning that if the increase in GDP here does not necessarily increase the absorption of labor in Indonesia.

Test F (Joint Test)

The results of the Simultaneous Significance Test (FStatistic) are proved in the Anova table below:

Tabel 7
ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	194712788297 7638400.000	3	649042627659 212800.000	11.495	.001 ^b
	Residual	694760576369 8935800.000	16	434225360231 183490.000		
	Total	889473364667 6574200.000	19			

a. Dependent Variable: Labor

b. Predictors: (Constant), GDP, Credit Banking, Investment

From table 6, it is seen at $\alpha = 0.05$ or 95% confidence level with numerator free degree = $(k-1) = 3 - 1 = 2$. Denominator degree = $(n - k) = 20 - 3 = 17$, $F_{\text{tabel}} = 0.05 = 3.59$. Therefore $F_{\text{hitung}} > F_{\text{tabel}}$ the significance value is 0.001 which is less than 0.05. In addition, the value of $F_{\text{calculate}}$ is greater than F_{table} , which is $11.495 > 3.59$. Based on the decision-making criteria in test F the hypothesis is accepted, which means simultaneously the variables Banking Credit (X₁), Investment (X₂) and Gross Domestic Product (GDP) (X₃) on Employment (Y) have a significant effect. It is proved that the probability of its significance is $0.001 < (0.05)$.

Test Regression Equation Model:

In table 5 above, the regression equation model can be as follows: $Y = 5.468 + 0.457X_1 - 0.139X_2 - 0.274X_3 + \varepsilon$ With constant (a) = 5.468 Banking Credit Coefficient (β_1) = 0.457, Investment Coefficient (β_2) = -0.139 GDP Coefficient (β_3) = -0.274. This means that in the absence of banking credit, investment and GDP variables, employment is a constant value of 5,468 if there is investment and GDP has a disproportionate or negative influence on the absorption of existing labor. Meanwhile, the variable of bank credit in this study does not have a significant influence on employment in Indonesia.

DISCUSSION

This research aims to prove whether there is an influencing relationship between independent variables X_1 (Banking Credit), X_2 (Investment) Gross Domestic Product (GDP) (X_3) to the dependent variable Y (Labor Absorption), then conclusions are obtained from the results of hypothesis testing, namely from the test results for individual correlations obtained correlation of Banking Credit Variables (X_1) by the value of $\alpha < \text{Sig}$ ($0.05 < 0.224$) meaning that there is no significant influence partial/individual Banking Credit to employment. Investment variable (X_2) Therefore $\alpha > \text{Sig}$ ($0.05 > 0.001$) there is a significant influence partially / individually investment variables on labor absorption. Then for the variable GDP (X_3) with test results obtained $\alpha > \text{Sig}$ ($0.05 > 0.004$) has a significant influence partially / individually GDP on labor absorption. From the results of the partial T test, each independent variable of Banking Credit (X_1) does not significantly affect the dependent variable, while the Investment variable (X_2) and GDP variable (X_3) significantly affect the dependent variable (Labor Absorption), but in this case it has a negative influence relationship, meaning that investment and GDP increase, it can cause labor absorption to decrease, this is usually because there are many Factors in determining policies in terms of providing labor, expanding employment opportunities and creating adequate employment opportunities for the community.

So this cannot be used as a benchmark in seeing the influence which can then be proven from the F test jointly between all independent variables against the dependent variable. For the results of the Simultaneous Significance Test $F_{\text{hitung}}=11.710$ and $F_{\text{table}} (\alpha=0.05)=3.59$, therefore $F_{\text{hitung}} > F_{\text{tabel}}$ namely ($11.710 > 3.59$) it can be concluded that the model used is correct. It can be seen that the probability is $0.001 < 0.05$. So it can be concluded that the independent variables (bank credit, investment and GDP) together have a significant effect on the dependent variable (employment).

Tests on the coefficient of determination (R^2) and Adjusted R square Coefficient of Determination (R^2) of $0.572 = 57.20\%$. This means that 57.20% of labor absorption is determined / influenced by Banking Credit (X_1), Investment (X_2) and GDP variables (X_3) and the remaining 42.80% there are other factors that influence and are not hypothesized in this study, while regression model testing obtained for multiple linear regression equations in this study is $Y = 5.468 + 0.457X_1 - 0.139X_2 - 0.274X_3 + \epsilon$. With constant (a) = 5.468 Banking Credit Coefficient (β_1) = 0.457 Investment Coefficient (β_2) = -0.139 GDP Coefficient (β_3) = -0.274. This means that investment and GDP have a disproportionate or negative influence on the absorption of existing labor. Meanwhile, the variable of bank credit in this study does not have a significant influence on labor absorption in Indonesia. However, keep in mind that this study used secondary data in the form of 20-year time series data from 2004 to 2023. Other factors not studied in the study can also affect employment in Indonesia. Therefore, further research and in-depth analysis are needed to gain a more complete understanding of the relationship between banking credit, investment and GDP to the application of labor in Indonesia.

CONCLUSIONS AND RECOMMENDATIONS

Based on the results of the study above, the variable of bank credit partially has no effect on employment, the variable of investment partially has an influence on the variable of labor absorption, and the variable of gross domestic product partially has an influence on the variable of labor absorption.

Simultaneously, the variables of Banking Credit, Investment and gross domestic products have an effect and are significant on the variable of labor unemployment

ADVANCED RESEARCH

This research only uses the variables of Banking Credit, Investment and Gross Domestic Product against the variable of labor absorption, where the variables used have not fully fulfilled the full picture of perfect research, so that the hope can be refined again in the future.

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