

CHAPTER V. CONCLUSIONS AND IMPLICATION

A. Conclusion

This research aims to analyze the influence of Infrastructure, Regency/City Minimum Wage (RMW), Labor Force, and Human Development Index (HDI) on Foreign Direct Investment (FDI) in the Kedu Residency during the period 2016–2024 by employing a multiple linear regression approach. Based on the data analysis and literature review presented earlier, the findings of this research can be summarized as follows:

1. Infrastructure variable exhibits a significant negative influence on Foreign Direct Investment (FDI) in the Kedu Residency during the 2016–2024 period. This result suggests that the increase in road length has not been accompanied by adequate improvements in infrastructure quality, thereby failing to create the logistical efficiency required by investors. This tendency reflects that the expansion of the road network, without sufficient enhancement of its physical condition, has not been effective in reducing transportation costs or improving the reliability of goods and services distribution. The quality of infrastructure services is a crucial determinant, as it directly influences the smoothness of production processes and the efficiency of supply chains.
2. The Regency/City Minimum Wage (RMW) has a significant influence on Foreign Direct Investment (FDI) in the Kedu Residency during the period 2016–2024. This finding indicates that wages increase, labor productivity and production levels also rise, encouraging investors to expand their

investment value. The results suggest that a higher RMW generally reflects economic growth and an increase in purchasing power, thereby serving as an attractive factor for market-oriented investors. Moreover, an increase in the minimum wage tends to have a positive impact on workers' welfare, economic growth, and overall investment attractiveness.

3. The Labor Force has no significant influence on Foreign Direct Investment (FDI) in the Kedu Residency during the period 2016–2024. This finding indicates that a large labor force in a region does not necessarily serve as a determining factor in attracting foreign investors. Therefore, the availability of labor must be accompanied by improvements in quality, skills, and productivity that align with industrial needs.
4. The results of the study indicate that the Human Development Index (HDI) has a negative and significant influence on Foreign Direct Investment (FDI) in the Kedu Residency during the period 2016–2024. Although the HDI in this region has continuously increased, particularly in the health dimension, the education and income components have not yet demonstrated sufficient quality to support the skilled labor required by foreign investors. The dominance of secondary school graduates and the presence of interregional economic disparities have resulted in HDI growth being insufficient to enhance investment attractiveness. Therefore, the increase in HDI in the Kedu Residency has not aligned with the demands of a productivity-based labor market, and thus does not stimulate higher FDI realization.

B. Implication

This research provides important implications for regional economic development policies, particularly in efforts to enhance Foreign Direct Investment (FDI) in the Kedu Residency:

1. Local governments need to maintain a balanced Regional Minimum Wage (RMW) policy to enhance worker welfare without reducing the region's attractiveness to investors. The determination of the RMW should be carried out carefully by considering labor productivity, business capacity, as well as inflation trends and regional economic growth. A proportional wage policy provides certainty regarding labor costs for investors while maintaining workers' purchasing power and quality of life. In addition, strengthening coordination among local governments, business actors, and labor unions is essential to ensure wage stability and create a conducive industrial relations environment. Effective dialogue among stakeholders can minimize potential labor conflicts and enhance investor confidence in the regional business climate. In the long term, consistent RMW management based on productivity, accompanied by efforts to improve workforce quality, can serve as a strategic instrument to attract Foreign Direct Investment and promote sustainable regional economic growth.