ANALYSIS OF FACTORS AFFECTING DOMESTIC INVESTMENT IN NORTH SUMATRA PROVINCE.

Reza Juanda [*a], Indah Mardianti [*b]
Fakultas Ekonomi dan Bisnis Universitas Malikussaleh
Corresponding author: [a] juanda.reza@unimal.ac.id
[b] indahmardianti2@gmail.com

A R T I C L E I N F O R M A T I O N A B S T R A C T

This study examined the effect of inflation, exchange rates, and interest rates on domestic investment in the province of North Sumatra for the 2010-2020 period. This study used the Multiple Linear Regression method. The results partially indicated that inflation negatively and insignificantly influenced domestic investment, the exchange rate positively but insignificantly influenced domestic investment, and the interest rate negatively and insignificantly influenced domestic investment in Indonesia. North Sumatra Province. Simultaneously, inflation, exchange rate, and interest rate positively and significantly influenced domestic investment in North Sumatra.

1. INTRODUCTION

Investment in this case Domestic Investment is a key indicator of a country's development that can encourage the country's economic growth (Indriyani, 2016).

Article 1 of Law Number 25 of 2007 concerning Investment, "Domestic Investment is an investment activity to conduct business in the territory of the Republic of Indonesia carried out by Domestic Investors using Domestic Capital" (Santosa, 2017).

Domestic investment has the advantage of being regular (long-term), It makes a significant contribution to technology transfer, transfer of management skills and creation of new jobs. This is necessary to convert economic potential into real economic strength by using domestic and foreign capital. Local governments not only need to find local funding sources, but also need funding sources for their investments. (Ginting, 2013).

The government's role is very important in increasing capital. It takes effort and effort, what policies and regulations can create a dynamic investment environment to attract investors. There is a relationship between investment and national income. The higher the level of national income, the greater the investment expenditure issued by the community. (Amri, 2020).

PMDN (JUTA)
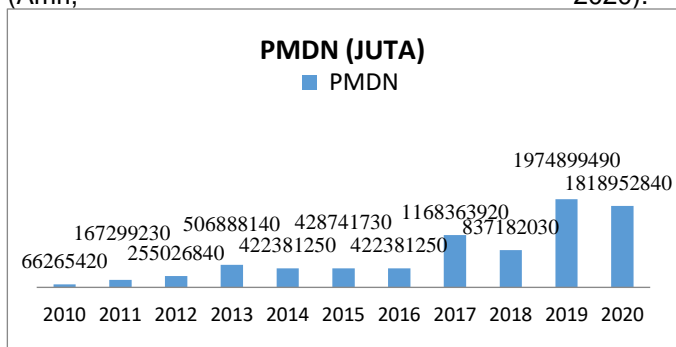
Source: Central Bureau of Statistics (2022)

**Figure 1.1 Domestic Investment**

Based on Figure 1.1, it can be observed that "Domestic Investment in North Sumatra Province is subject to ups and downs throughout the year. In 2010-2013 Domestic Investment in the province of North Sumatra rose, but in 2014-2016 Domestic Investment fell, but from 2017-2020 Domesti. Investment rose again".

INFLASI (%)
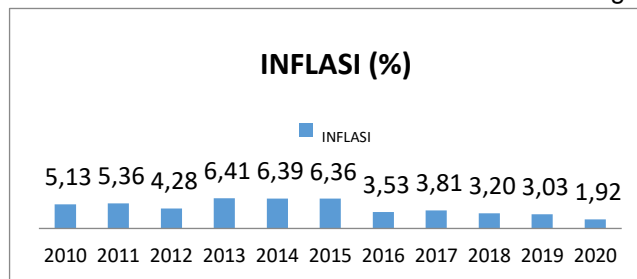
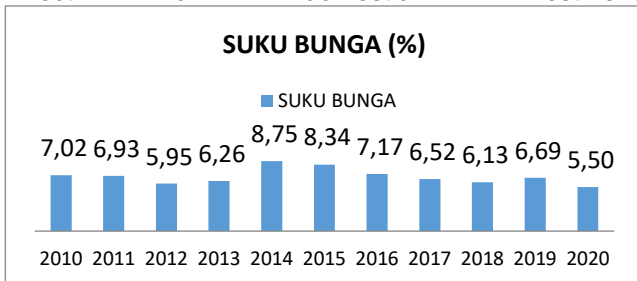

Source: Bank Indonesia (2022)

Figure 1.2 Inflation

Based on Figure 1.2, it can be seen that Inflation is affected by ups and downs throughout the year. In 2010 to 2011 there was an increase in the increase, but in 2012 there was a slight decrease, namely 4.28 and in 2013 to 2015 there was a fairly high increase, namely 6.41 in 2016 down to 3.53 in 2017 up 3.81 from 2018 to 2020 fell by 1.92. It can be seen that the inflation variable fluctuates, this phenomenon is certainly in line and in line with research conducted by (Mardawati, 2016) with research results showing that inflation has a negative effect on the inflation rate. not significant for PMDN.
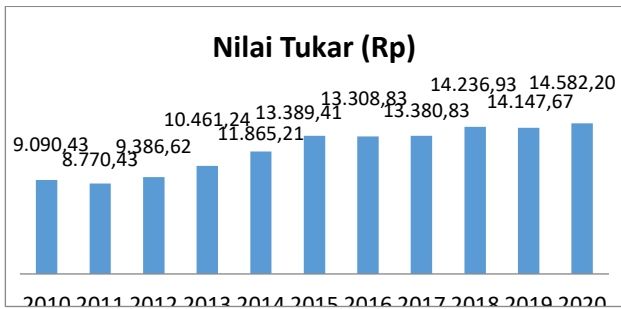
Source: Worldbank (2022)

Figure 1.3 Exchange Rate

Based on Figure 1.3, the Exchange Rate has fluctuated throughout the year. In 2010 it was 9090.43 but in 2011 it fell slightly to 8770.43 and from 2012 to 2015 13389.41 rose to 13389.41 in 2016 it fell slightly to 13308.83 and 2017 to 2018 it rose again to 14236.93 and 2019 decreased by 14147.67 and in 2020 it rose to 14582.2. It can be seen that the exchange rate variable has increased, this phenomenon is certainly in line and in line with research conducted by (Faridah, H. 2020) with research results showing the exchange rate. Effect on domestic investment.

Source : Bank Indonesia (2022)

Figure 1.4 Interest Rate

Based on Figure 1.4 Interest Rates are subject to fluctuations throughout the year. Interest rates in 2010 to 2011 rose but in 2012 to 2013 it fell by 5.95 and in 2014 it rose to a high 8.75 from 2015 to 2018 it continued to fall to 6.13 and in 2019 it rose to 6.69 and in 2020 it fell again at 5.50. It can be seen that the interest rate variable fluctuates, this phenomenon is certainly in line with the research conducted by (Mardawati, 2016) with the research title "Factors influencing domestic investment in South Sulawesi Province". This research uses multiple regression analysis model. The result of this research is that inflation has a negative and negligible effect on domestic investment. The more investment increases, the higher the income per capita that is able to maintain economic growth and stabilize inflation, exchange rates and interest rates, thus encouraging investors to invest in North Sumatra. Investment Interest Rate in North Sumatra Province 2010-2020 Period (Kewal, 2012).

2. THEORY BASIS
INFLATION

According to Fahmi (2014) "Inflation is an event that illustrates a condition or situation where the price of a commodity increases and the value of a currency decreases. Inflation is a mechanism of occurrence, not the rise and fall of the price level. This means that price levels that look large are not necessarily indicative of inflation." Inflation is an indicator that recognizes the degree of change and is assumed when the price increase mechanism continues and interacts. The term inflation is also used to describe an increase in the money supply and is sometimes considered a cause of price increases (Sesaria, M. 2020).

According to Boediono (2013), in general there are 3 categories of theories regarding inflation, those theories are:

a) Quantity Theory

Based on this theory, inflation arises because of "an increase in the amount of money circulating (either in the form of additional savings or cash) which is not synchronized with the increase in the flow of goods and services and people's expectations of rising prices in the future" (Ratih, P. N. 2019).

b) Keynesian theory

Based on this theory, "Inflation arises because a society wants to live outside the limits of its economic capacity. Based on this assumption, the inflation mechanism is nothing more than a mechanism for securing livelihood components among social communities that want a higher component than the community can provide. This battle process ultimately leads to a condition where the demand for goods is always more than the number of goods available." (Ratih, P. N. 2019).

c) Structuralist Theory

The theory of long-run inflation because "It examines the causes of inflation caused by the rigidity of the economic structure. This is because the composition of the increase in commodity producers is so slow compared to the same The increase in demand leads to scarcity of food prices and foreign exchange. The next result is an increase in other prices, which causes inflation" (Ratih, P. N. 2019).

Exchange Rate

An exchange rate (also popular as an exchange rate) is a popular agreement as a currency exchange rate in relation to current or future payments, between two currencies of any country or region. A country's currency can change significantly due to changes in its economic, social and political situation. This change can increase in value when the domestic currency against foreign currencies increases and depreciates when the domestic currency relative to foreign currencies decreases (Amri, 2020).

Currency exchange rates are classified into two namely (Mankiw, 2007):
1) "Nominal exchange rate is a comparison of the relative prices of two countries' currencies."
2) "The exchange rate is the comparison of the relative prices of goods in two countries. It is determined by the nominal exchange rate and the comparison of domestic and foreign price levels."

Interest Rate

Exchange rate or exchange rate is the comparison of the value of foreign currency with domestic currency (rupiah) (Suprianto, 2015). Interest is the cost of borrowing. The percentage of principal that is owed as an expense during a certain period is called. At the macro level, interest rates are nominal and real. According to Kasmir (2012:114) "Interest can be defined as the price paid to customers (depositors) and prices paid by

customers to banks (borrowing customers)" (Harsono, A. R. 2018).

According to Natsir (2014), interest rates have various functions:

a) As an attraction for individual savers, institutions or institutions that have more money to invest.
b) Interest rates can be used as a means of control by the Government to directing investment costs to economic aspects.
c) Interest rates can be used as a monetary tool to control the supply and demand for money circulating in an economy.
d) The government can fake interest rates to monitor inflation rates. (Sartika, D. 2019)

According to Samuelson and Nordhaus (2004: 194), interest rates are categorized into two types, namely:

1) "The nominal interest rate is the interest rate on the value of money. This interest rate is a value that can be seen widely. This interest rate shows the amount of Rupiah for each Rupiah invested."
2) "The real interest rate is the interest rate that has been adjusted for inflation and is interpreted as the nominal interest rate minus the inflation rate."

Domestic investment

Domestic Investment or Domestic investment is investment to carry out business in the territory of the Unitary State of the Republic of Indonesia carried out by domestic investors using domestic capital. Individuals and companies can become domestic investors. Such as the government, state commercial organizations and individuals (Indonesian citizens) who carry out investment in all areas of the Unitary State of the Republic of Indonesia (Prasetyo, 2010).

Domestic investors can be individuals from the Indonesian community, state-owned enterprises, and/or state governments that carry out investments in the territory of the Republic of Indonesia. Activities or forms of business may be opened for investment activities, but the aspects and types of businesses that are announced will be closed or opened with the criteria and limits for the participation of State capital in these business activities. 36 of 2010 concerning changes to the list of hidden business sectors and a transparent business investment sector (Suprianto, 2015).
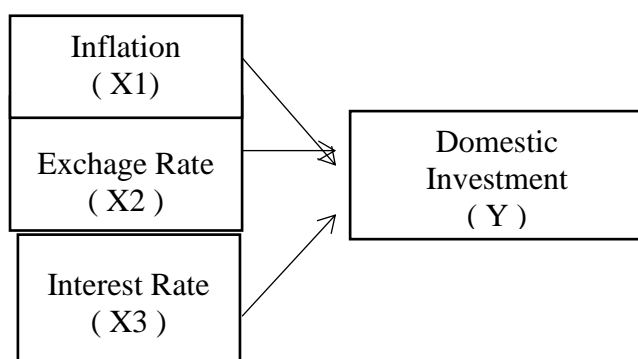
Picture 2.1 Conceptual Framework

This study uses two assessment variables, namely the dependent variable, namely the variable that is influenced or insured by other variables. The dependent variable used in this study is Domestic Investment (Y). Independent Variables, namely independent variables and not affected by other variables. Inflation (X1), Exchange Rate (X2), Interest Rates (X3).

Relationship Between Variables

The relationship between inflation and domestic investment is negative. High inflation causes an increase in the money supply or money supply, resulting in high interest rates, with interest rates that tend to be high so that investment will decline. High inflation also results in a decrease in people's purchasing power which in turn results in a decrease in investment returns, thereby reducing investor investment interest (Mardawati, 2016).

The relationship between the exchange rate and domestic investment is negative, a decrease in the exchange rate can reduce investment through a negative impact on domestic absorption which is popular as a depreciation effect. As a result, a decrease in the exchange rate can cause the real value of assets to increase because an increase in the general price level and so on can reduce domestic demand (Ulfah, M. N. 2014).

The relationship between interest rates and domestic investment is negative, interest rate volatility is a consideration for investors. Based on classical theory, the higher the interest rate, the lower the willingness to invest because of the high cost of capital (Mardawati, 2016).

Hypothesis test

It is suspected that Inflation, Exchange Rates, and Interest Rates have an effect on Domestic Investment in North Sumatra Regency.

H1 : Inflation is suspected to have a positive effect on Domestic Investment in the province of North Sumatra.
H2 : The exchange rate is suspected to have a positive effect on domestic investment in the province of North Sumatra.
H3 : Interest rates are suspected to have a positive effect on Domestic Investment in North Sumatra.

3. RESEARCH METHOD
Data and Data Sources

This study belongs to the type of quantitative assessment because the data used in this study is numerical data, this study uses secondary data in the form of multiple linear regression data obtained from 2010 to 2020. This data was obtained from the Ministry of Investment, Bank Indonesia and the World Bank. . Secondary sources are sources that do not submit data directly to data collectors, for example through other individuals or through documents. In this study, the authors collect the data and information needed by reading books, journals, articles, internet data, theses and dissertations of previous studies (Imron, 2019).

Definition of Variable Operationalization

Operationalization of variables is an indication of how the variables in the study are measured. To

clarify and facilitate understanding of the variables to be analyzed in this study, it is necessary to formulate the operationalization of the variables as follows:

1) Inflation

"Inflation is a mechanism for increasing prices in an economy" (Sadono Sakirno, 2016:15). In this study, inflation is calculated at the same Percent Unit (%).

2) Exchange Rate

"Exchange rate is the exchange rate of currency between two countries, namely the price of the currency used by residents of that country to carry out mutual buying and selling between one another. In this study, the exchange rate is calculated in units (Rp)".

3) Interest Rate

"The interest rate is the bank's interest rate, which can be interpreted as bank payments to customers who buy or sell goods with conventional principles. In this study the Interest Rate is calculated in Percent Units (%)".

Data analysis method

In order to overcome the problem of this study, the authors use data analysis, especially multiple linear regression analysis. Multiple regression analysis includes statistical tools used to determine or estimate the magnitude of the response variable according to the predictor variable (Saputra et al., 2017). The use of regression analysis raises the main problem. Thus, the author must also carry out classical hypothesis testing in order to obtain the best results. The tests include standard tests, autocorrelation tests, variance tests and multicollinearity tests to analyze the factors that influence domestic investment in North Sumatra Province for the 2010 - 2020 period.

Multiple Regression Analysis

The model used in testing this hypothesis is a multiple linear regression model to test inflation, exchange rates and interest rates on domestic investment. In this study, the Multiple Linear Regression model is formulated, namely:

Y = α + $\beta 1 X1$ + $\beta 2 X2$ + $\beta 2 X3$ + **e**
Y = Domestic Investment
$\beta 1 X1$ = Inflation
$\beta 1 X2$ = Exchange Rate
$\beta 2 X3$ = Interest Rate
α = Constant
$\beta 1, \beta 2$ = Regression Coefficient
e = Standard error

Normality test

According to Ghozali (2012) states "the normality test is to test whether in the regression model, the residual or confounding variables have a normal distribution or not". As is known, the t-test and F-test state that the residual values will participate in a normal distribution. If this opinion is challenged, the statistical test will be invalid for a small number of samples. This study uses the Jarque-Bera test (J-B) to determine the normality or anomaly of the regression model, confounding variables or residuals, by comparing the calculated J-B values with Table C2 (Chi-Square). If J-B value > C2 array value, the remainder is not normally distributed, and if J-B value is calculated etlt; values from array C2, so the remaining values are normally distributed. This test is carried out through the eviews 10 program by comparing the probability value (P-Value) and the significance level if the probability means 0.05 so that the remaining values are normally distributed and vice versa.

Classic Assumption Test

The classical assumption test is carried out to determine whether the estimation model used is sufficient for the multiple linear regression assumption. This is important to do so that valid and stable parameters can be obtained. Diagnostic tests include:

Heteroscedasticity Test

Intends to examine whether in a regression model there is a residual variance dissimilarity from one observation to another. If the residual variance from one observation to another is constant, it is said to be variable variance. In order to track whether there is a variable variance, a graph test is carried out by analyzing the normal histogram between the predicted values of the independent and residual variables. Detection with or without variable variance can be carried out by testing the presence or absence of a special sample in the scatter plot between the predicted values of the independent and residual variables.

Autocorrelation Test

The autocorrelation test is intended to check in the model whether or not there is a correlation between error errors in period t and errors in period t-1. (Ghozali, 2012). According to (Gujarati, 2012) "if the value of Obs * RSquare < X2 (Chi-Square), then there is no autocorrelation. Next, the results of the autocorrelation test can also be observed by comparing the Chi-Squared probability and a significant value of 5% if the Chi Squared Prob value is > 5% so that autocorrelation appears.

Multicollinearity Test

According to Gujarati (2003) "Multicollinearity is the existence of a perfect linear relationship between various or all independent variables in the regression model. Multicollinearity test is useful to test whether there is a correlation between the independent variables in the regression model. The technique to determine the existence of bias in the multicollinearity test is by observing the tolerance and VIF of each independent variable. Variance inflation factor (VIF) is a way to detect multicollinearity.

This is obtained according to the fact that the increase in variance is related to 2 and VIF itself. So, if the Tolerance value is > 0.10 and the VIF value is < 10, then the data is free from multicollinearity symptoms.

Hypothesis test

Multiple linear regression statistical test is intended to provide evidence of the hypothesis whether or not there is a significant or strong influence so that it is carried out through the t test and F test.

Partial Test (t-test)

This test is carried out according to the comparison of the tcount value of each regression coefficient with the ttable value (critical value) through a significant level of 5% with degrees of freedom df = (n-k), where n is the number of observations and k is the number of variables.

1. "if tcount < ttable (n-k), then partially the independent variable has no effect on the dependent variable."
2. "if tcount > ttable (n-k), then partially the independent variable affects the dependent variable."

Simultaneous Test (F-Test)

Simultaneous test (F test) is used to test the magnitude of the influence of all independent variables simultaneously on the dependent variable, in order to determine the value of Ftable, the significant level used is 5% with degrees of freedom df = (n-k) and (k- 1) where n is the number of observations, the characteristics of the test used are:

1. "If Fcount < Ftable (k-1, n-k), then simultaneously the independent variable has no effect on the dependent variable."
2. "If Fcount > Ftable (k-1, n-k), then the independent variable simultaneously affects the dependent variable."

Correlation Coefficient (R)

The correlation coefficient is intended to determine how big the level of sharpness or the strength of the bond between the independent variable and the dependent variable (Y) So according to Sugiyono (2012) in order to translate the results of the correlation study, namely:

Table 3.1 Correlation Coefficient

Correlation Coefficient	Relationship Level
0,00-0,199	Sangat Rendah
0,20-0,399	Rendah
0,40-0,599	Sedang
0,60-0,799	Kuat
0,80-1,00	Sangat Kuat

The value of the correlation coefficient according to Sugiyono (2008) includes between -1 to +1 whose usage criteria are explained, namely:

1. "If the value of R > 0, it means that a positive relationship has emerged, namely the greater the variable X, the greater the variable Y."
2. "If the value of R < 0, it means that a negative relationship has emerged, namely the smaller the variable X so that the larger the variable Y or vice versa, the greater the variable C so the smaller the variable Y."
3. "If the value of R = 0, it means that there is no relationship at all between the X variable and Y variable."
4. "If the value of R = 1 or R = -1, it means that a perfect relationship has emerged, which includes a straight line, while for R, which affects the number 0 until it is increasingly not straight."

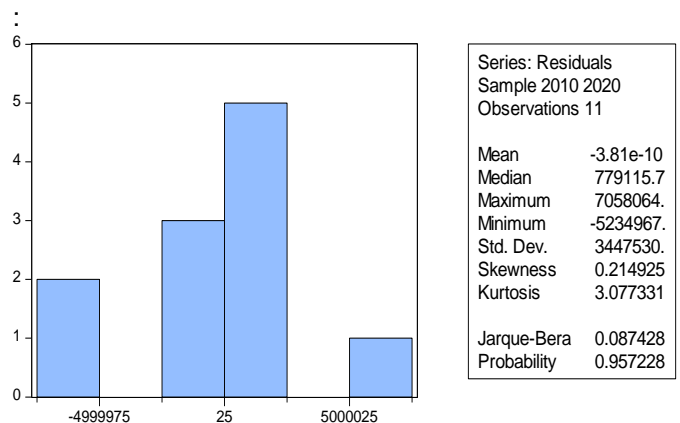**Coefficient of Determination (R2)**

The coefficient of determination is intended to measure how well the model can explain the variation of the dependent variable. By testing the model, it can explain the observed determination of the adjusted R squared in order to determine the distance between the independent variable and the dependent variable. A large R2 value (close to 1) means that the independent variable can provide almost all the information needed to estimate the dependent variable. Meanwhile, if R2 is small, the ability to explain the dependent variable on the independent variable is very limited (Ghozali, 2012).

4. DISCUSSION
4.1.3 Normality test

The purpose of the normality test is to check whether in this model the confounding and residual variables are normally distributed. For example, we know that the t-test and the f-test assume that the remainder will follow a normal distribution. If this assumption is repeatedly challenged, statistical tests may not be valid for small sample sizes. For the test results in this study can be observed in the following picture. **Table. 4.2. Autocorrelation Test**

Series: Residuals Sample 2010 2020 Observations 11	
Mean	-3.81e-10
Median	779115.7
Maximum	7058064.
Minimum	-5234967.
Std. Dev.	3447530.
Skewness	0.214925
Kurtosis	3.077331
Jarque-Bera	0.087428
Probability	0.957228

Source: Data processed, 2020

Figure 4.5 Normality Test

According to the picture above, it can be concluded that "The results of the normality test show the value of Prob JB > 0.05, which is 0.087428 > 0.05. so it can be interpreted that the data in this study are normally distributed.

4.1.4.1 Heteroscedasticity Test Results

The heteroscedasticity test intends to test whether in a regression model there is a residual variance dissimilarity from one observation to another. If the residual variance from one observation to another is absolutely constant, it is said to be variable variance. In the case of linear regression testing, it should not be exposed to variable variance, so to see that this test can be carried out by differentiating the values of Obs * R-square and Table 2 (chi-square). The results of the variance test using the blanks in this study are:

Table. 4.1. Heteroskedasticity Test: White

Heteroskedasticity Test: White			
F-statistic	1.455773	Prob. F(3,7)	0.3064
Obs*R-squared	4.226195	Prob. Chi-Square(3)	0.2381
Scaledexplained SS	1.777608	Prob. Chi-Square(3)	0.6198

Source: Data processed, 2020

Based on Table. 4.1 above, it can be observed that the "Obs*R-squared value for the estimated results is 4.22 and the value of 2 tables with a degree of confidence of 5% so that it can be concluded that the above model is free from heteroscedasticity. This can also be seen from the Chi-Squared probability of 0.23 so that the value shows 0.23 > 0.05".

4.1.4.2 Autocorrelation Test Results

Breusch Godfrey Serial Correlation LM Test:

	F-			
statistic	0.341657	Prob. F(3,4)	.7979	
Obs*R-squared	2.24373 1	Prob. Chi- Square(3)	.5234	

In addition, in testing a regression model using time series data or time series, it must be free from autocorrelation. Thus, in this study an autocorrelation test is needed to determine whether a value in a particular sample or observation is The

Based on Table. 4.2 above it can be seen that "the value of Prob. Chi-Square is 0.5, this is greater than 0.05, which is 0.5234 > 0.05. then it is concluded that in this study it is free from autocorrelation.

4.1.4.3 Multicollinearity Test Results

The multicollinearity test includes a component of classical hypothesis testing which aims to examine whether there is a sharp correlation between the dependent or independent variables in the regression model used, considering that in the regression model there can be no correlation between independent variables. variable or the absence of multicollinearity. The results of the multicollinearity test in this study are:

"The multicollinearity test is intended to check whether the regression model has a correlation between variables. This multicollinearity is intended to determine whether each independent variable is linearly related to the regression equation model used. Multicollinearity Test Results The multicollinearity test results are concluded as follows:

Table. 4.3 Multicollinearity Test

	Y	X1	X2	X3
Y	1.000000	-0.719963	0.755725	-0.408739
X1	-0.719963	1.000000	-0.568531	0.673638
X2	0.755725	-0.568531	1.000000	-0.052577
X3	-0.408739	0.673638	-0.052577	1.000000

Source: Data processed, 2020

According to Table. 4.3 above, it can be seen that the relation between Inflation, Exchange Rate and Interest Rate variables is X1 and X2 = -0.56 this value is below 0.8 which means that X1 and X2 variables do not have multicollinearity problems, while X2 and X3 = -0 .05 this value is below 0.8 which means that Variables X1 and X2 do not have multicollinearity problems, while X1 and X3 = 0.67 this value is below 0.8 which means Variables X1 and X3 do not have multicollinearity problems.

4.1.4.4 Multiple Linear Regression Data Processing Results

To solve the problems and hypotheses of this study, it is necessary to use an appropriate data analysis method, namely the multiple linear regression analysis method to analyze the relationship between variables, independent variables and dependent variables using computer assisted programs. able to handle econometric and statistical data, particularly EViews 10. as a result of the regressions carried out in this study.

Tabel 4.4 Multiple Linear Regression Data Results Multiple Linear Regression

Dependent Variable: Domestic investment
Method: Least Squares

Date: 08/03/22   Time: 16:04
Sample: 2010 2020
Included observations: 11

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	42309.17	123172 75	0.00343 5	0.9974
Inflation	-839712 .1	165302 0.	-0.50798 7	0.6271
Exchange rate	1829.8 62	844.588 1	2.16657 3	0.0670
Interest rate	-159870 4.	214355 7.	-0.74581 8	0.4801

R-squared	0.7180 57	Mean dependent var	73931 13.
Adjusted R-squared	0.5972 25	S.D. dependent var	64927 34.
S.E. of regression	412058 6.	Akaike info criterion	33.576 18
Sum squared resid	1.19E+ 14	Schwarz criterion	33.720 87
Log likelihood	-180.66 90	Hannan-Quinn criter.	33.484 97
F-statistic	5.9425 80	Durbin-Watson stat	2.4510 26
Prob(F-statistic)	0.0244 69		

Source: Data processed, 2022

From the table above, it can be interpreted from the results of the analysis of the linear regression equation as follows:

Y = 42309.17 -839712.1 X1 + 1829.862 X2 +- 1598704 X3

1. "**The constant (B0)** of 42309.17 indicates that if the Inflation, Exchange Rate and Interest Rate Variables are zero, the dependent variable, namely Domestic Investment, has a value of 3975286%."
2. "**Parameter (B1)** Inflation has a value of -839712.1. This shows a Negative relationship. It means that if Inflation increases by 1 percent, Domestic Investment will increase by -839712.1 percent."
3. "**Parameter (B2)** Exchange Rate has a value of 1829,862. This shows a positive relationship. This means that if the Exchange Rate increases by 1 rupiah, Domestic Investment will increase by 1829,862 percent."
4. "**Parameter (B3)** Interest Rate has a value of -1598704. This shows a positive relationship. This means that if the Interest Rate increases by 1 rupiah, Domestic Investment will increase by -1598704 percent."

1.1.6 Hypothesis Testing

Hypothesis testing in this study was carried out using the t significance test, F test and Multiple

Regression Analysis. The t-test was carried out in order to test the effect of the independent variable partially or individually on the dependent variable. Meanwhile, the F test was carried out to simultaneously test the independent variables on the dependent variable.

1.1.6.1 Partial Test Results (t test)

In order to observe whether the independent variable in this study has an individual influence on the dependent variable, it is necessary to carry out a t-test, especially by looking at the tcount value. The test criteria is if the value of tcount > ttable with a significance level of 5%, so it can be concluded that "some of the independent variables have a significant effect on the dependent variable". Below are the partial test results from this study:

Table 4.5 Partial Test Results (t test)

independent variable	t.statistics	t.table	probability	description
X1	-0.507987	1,943	0.6271	not significant
X2	2.166573	1,943	0.0670	not significant
X3	-0.745818	1,943	0.4801	not significant

Source: Data processed, 2022

According to the table above, it can be seen that "the inflation variable has a value of tcount > ttable (-0.507987 < 1.943) with a significance value of p = 0.6271.> 0.05, which means that the inflation variable has a negative and insignificant effect on domestic investment. While the Exchange Rate variable has a value of tcount > ttable (2.166573 > 1.943) with a significance value of p = 0.0670 > 0.05, which means that it has a positive and insignificant effect on Domestic Investment. While the interest rate variable has a value of tcount > ttable (-0.745818 > 1.943) with a significance value of p = 0.4801 <0.05, which means that it has a negative and insignificant effect on Domestic Investment.

1.1.6.2 Simultaneous Test Results (f test)

Simultaneous testing (f-test) is carried out in order to determine whether the independent variables affect the dependent variable simultaneously, including the F statistic test. If Fcount > Ftable, the independent variable has the same effect on the dependent variable. Below are the results of the concurrency test (f-test):

Table 4.6 Simultaneous Test Results (F Test)

F.statisti	F.tabel	Probalitas	Keterangan
5.942580	9,78	0.024469	Signifikan

Source: Data processed, 2022

According to the table above, it can be observed that "the Fcount value is 5.942580 while the Ftable value is 9.78 with a significance level of 5% or 0.05. So it can be concluded that the value of Fcount > Ftable is 5.942580 > 9.78, which means that together with the 95% confidence level the variables Inflation, Exchange Rates and Interest Rates have a positive and significant effect on Domestic Investment. This can be seen from the significant probability 5.942580 < 0.05".

4.1.7 Testing the Coefficient of Determination (R2) and Correlation Coefficient (R)

The correlation coefficient is a statistical measure between three variables. The correlation coefficient represents the sharpness (strong) of the linear association and the mean of the association of the three random variables. If the coefficient is positive, then the two variables have a one-way relationship. To help explain the strength of the relationship between the three variables, the following criteria are used:0   : Tidak ada korelasi antara   tiga variabel
> 0 - 0.25   : Very weak correlation
> 0.25 - 0.5   : Correlation is sufficient
> 0.5 - 0.75   : Strong correlation
69 > 0.75 - 0.99   : Very strong correlation
1   : Perfect correlation

When testing the coefficient of determination (R2), we measure the importance of the relationship between the dependent variable as well as the independent variable. To find out how well the model's ability to explain the dependent variable can be observed from the Adjusted R-squared value.

Based on Table 4.4 the results of the Coefficient of Determination (R2) test results, the Adjusted R-Square value in this study is 0.718057, this explains that "the relationship between the independent variables and the dependent variable in this study is quite strong, namely 71.80% while 28.2% others are influenced by other variables outside of this study".

The Correlation Coefficient (R) has a function to observe the closeness between two variables and can be obtained the correlation value (R) = R2 = 0.718057 which is 0.847382 so that the magnitude of the influence of the independent variable on the dependent variable has a very sharp relationship on inflation, exchange rates, and the Interest Rate, which is 0.847%, is almost close to positive 1.

4.2   Discussion

The test results show that "Inflation has a negative and significant effect on Domestic Investment in North Sumatra Province. This is evident from the results of statistical tests with a value (tcount > ttable or 0.507987 < 1.943)". This is in line with the study revealed by (Mardawati, 2016) with the title of the study "Factors that trigger Domestic Investment in South Sulawesi Province". This study uses the Multiple Linear Regression Analysis model. The results of this study are "Inflation has a negative and insignificant effect on PMDN".

The test results show that "Exchange Rates have a negative and insignificant effect on Domestic Investment in North Sumatra Province. This is evident from the results of statistical tests with values (tcount > ttable or 2.166573 > 1.943)". This is in line with the study. This is in line with the study revealed by (Hana Faridah, 2020) with the title of the study "analysis of factors that

trigger domestic investment in 56 Indonesia in 2014 - 2018". This study uses the approach technique used in the estimation of panel data in this study, namely "Random Effect Model or random effects approach. The results of the study show that the exchange rate has a positive and significant effect on domestic investment, the variable employment has a positive and significant effect on domestic investment" (Faridah, 2020).

The test results show that "Interest Rates have a positive and significant effect on Domestic Investment in North Sumatra Province. This can be seen from the test results that are statistically the same value (tcount > ttable or -0.745818 > 1.943)". This is in line with the study revealed by (Mardawati, 2016) with the title of the study "Factors that trigger Investment Domestically in South Sulawesi Province". This study uses the Multiple Linear Regression Analysis model. The results of this study are "Inflation has a negative and insignificant effect on Domestic Investment".

CLOSING
5.1 Conclusion

From the results of the assessment carried out using the method of multiple linear regression analysis, it can be concluded that:

1. "Inflation Variables show results that have a negative and insignificant effect on Domestic Investment in North Sumatra Province."
2. "The Exchange Rate Variable shows positive and insignificant results for Domestic Investment in North Sumatra Province."
3. "The Interest Rate Variable shows negative and insignificant results for Domestic Investment in North Sumatra Province."
4. "While simultaneously the variables of Inflation, Exchange Rates, Interest Rates show positive results, this result is proven by a very strong confidence level of 95%. This can be observed from a significant probability of 5.942580 < 0.05."
5. "The value of the Coefficient of Determination (R squared) in this study is 0.718057", meaning that the variation in the dependent variable, namely Domestic Investment, can only be explained by the variable Inflation, Exchange Rates, Interest Rates, which are 71.80% (strong enough) while Another 28.2% were triggered by other variables outside of this study.
6. From the results of the Adjusted R-Squared which shows the relationship between the independent variable and the dependent variable which is so weak, it means that there are various other variables outside of this study.

5.2 Suggestion

In accordance with the results of the study and the conclusions above, suggestions that can be submitted by the author in this study include:

1. For the North Sumatra government to control Inflation, Exchange Rates and Interest Rates through techniques to monitor the development of Inflation, Exchange Rates, and Interest Rates, especially in North Sumatra Province so that in the future PMDN in North Sumatra will be even better.
2. For academics and researchers, as supporting material for the next research circles who are interested in studying the influence of Inflation, Exchange Rates and Interest Rates on Domestic Investment in North Sumatra Province for the need for further comprehensive explanations.

BIBLIOGRAPHY

Amri, I. (2020). The Influence of Domestic Investment and Foreign Investment on Economic Growth With Human Capital as Moderating Variable. Thesis of the State Islamic University of Malang.

Faridah, H. (2020). Analysis of the factors that Trigger PMDN in 56 Indonesia in 2014 – 2018. Thesis of Universitas Muhammadiyah Yogyakarta.

Ginting, A. M. (2013.). Analysis of Factors Triggering Domestic Investment in Central Java 1985-2010. Journal of Commerce Research and Development Bulletin., 1–18.

Harsono, A. R. (2018). Effect of Inflation, Interest Rates and Rupiah Exchange Rate on the Composite Stock Price Index. Journal of Business Administration, 60.2.

Imron, I. (2019). Analysis of the Effect of Product Quality on Consumer Satisfaction Using Quantitative Methods on CV. Tangerang Blessing Furniture. Indonesian Journal on Software Engineering (IJSE), 5(1), 19–28.

Indriyani, S.N. (2016). Analysis of the Effect of Inflation and Interest Rates on Economic Growth in Indonesia in 2005-2015. Journal of Business Economics Krisnadwipayana, 4(2).

Kewal, &. Suci, S. (2012). The Effect of Inflation, Interest Rates, Exchange Rates, and GDP Growth on the Composite Stock Price Index. Journal of Economia, 8(1), 53–64.

Mardawati. (2016). Factors Affecting Domestic Investment in South Sulawesi Province. Makassar: Department of Economics, Faculty of Economics and Islamic Business.

Prasetyo. (2010). The Influence of the Realization of Foreign Investment (PMA), The Realization of Domestic Investment (PMDN) and the Labor Force on the Economic Growth of North Sumatra Province in 2001-2003. Journal of Economics, North Sumatra State University, 1-8.

Ratih, P.N. (2019). The Effect of Economic Growth, Inflation and Unemployment on Poverty Levels in South Sumatra. Journal of Development Economics, 16(1), 1–10.

Santosa, A. B. (2017). Analysis of Inflation in Indonesia. Thesis of the Faculty of Communications and Business, University of Stikumbank 3, 445–452.

Sartika, D. &. Choiriyah, C. (2019). Effect of Inflation, Interest Rates, Exchange Rates, and Gross Domestic Product on Firm Value. Journal of Management Science, 8(2),75.

Sesaria, M. (2020). Investment and Investment Factors in Indonesia. Journal of Economics.

Suprianto, D. (2015). Domestic investment. Batam International University Journal of Economics, 28–42.

Ulfah, M. N. (2014). The Effect of Exchange Rates and Interest Rates on Investments in Aceh Province. Journal of Postgraduate Economics at Syiah Kuala University, 2(1), 1–8.