

**THE EFFECT OF INVESTMENT, NET EXPORTS, AND LABOR ON THE
GROSS REGIONAL DOMESTIC PRODUCT OF EAST JAWA PROVINCE**

UNDERGRADUATE THESIS



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DEVELOPMENT ECONOMICS STUDY PROGRAM
FACULTY OF ECONOMIC AND BUSINESS
UNIVERSITAS PEMBANGUNAN NASIONAL "VETERAN"

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FOREWORD

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ABSTRACT

This study aims to analyze the effects of investment, net exports, and labor on the Regional Gross Domestic Product (RGDP) at Constant Prices (Produk Domestik regional bruto atas Dasar Harga Konstan ADHK) of East Java Province for the period 2011–2024. This study employs a quantitative approach using secondary data in the form of annual time series sourced from the Indonesian Central Statistics Agency (BPS), the East Java Provincial Statistics Agency (BPS), and the Investment Coordinating Board (BKPM). The analysis method used is multiple linear regression with ARMA *Maximum Likelihood* estimation and the addition of the AR(1) parameter, supplemented by classical assumption tests. The results of the coefficient of determination test indicate that the independent variables collectively explain 95.7% of the variation in GRDP. The F-test confirms that investment, net exports, and labor simultaneously have a significant effect on GRDP with a probability value of 0.000025 ($\alpha = 5\%$). The results of the partial T-tests indicate that the three variables individually do not have a significant effect on GRDP, with probability values of 0.6355, 0.7007, and 0.1170, respectively. The lack of significance for investment is due to *time lags* in capital-intensive sectors; net exports are constrained by a commodity structure with low value-added and external shocks such as the COVID-19 pandemic; while the labor force is not significant due to the dominance of a low-educated workforce, with more than 62.5% having a junior high school education or below. This study recommends improving the quality of investment, promoting downstream processing of exports, and strengthening workforce competencies to drive sustainable regional economic growth.

Keywords: GRDP, Investment, Net Exports, Labor, East Java, Multiple Linear Regression.