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Implementation of investment and working capital financing allocated by banks towards the added GDP, labors, and welfare in four regencies in Madura

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ABSTRACT

This study investigates the implementation of investment financing absorption and private bank sectors' working capital to increase GDP, employment, and welfare of the four counties in Madura island (Bangkalan, Sampang, Pamekasan, Sumenep). This is the development of a previous study. This explanatory study is based on the model development concept or theory with Path Analysis through the data normality, multicollinearity, and heteroscedasticity test as well as causality. The data were taken from Bank Indonesia, Investment Coordinating Board, and the Central Bureau of Statistics. This is a time series data of 2002 to 2006. It shows that the financing of investment to GDP has significant and negative effect, financing of investment to labor absorption has significant and negative effect; financing working capital to GDP has significant and positive effect; financing of working capital to labor absorption has significant and negative effect; GDP in the labor market has no significant nor positive effect; GDP for the welfare effect, it has positive but not significant effect; employment in the welfare has a significant and positive effect. The direct effect or indirect implementation of financing from banks to finance investments and working capital to the entrepreneurs has increasingly a significant and positive effect. Absorption has dominated world finance working capital financing, following the least consumption and investment. Thus, it was natural that the implementation of the investment credit and working capital has a significant and positive effect on economic growth, absorption of labor, and welfare in all four counties in Madura.

ABSTRAK

Studi ini mengkaji pelaksanaan penyerapan pembiayaan investasi dan modal kerja sektor bank swasta untuk meningkatkan PDB, lapangan kerja, dan kesejahteraan di empat kabupaten di Pulau Madura (Bangkalan, Sampang, Pamekasan, Sumenep). Ini pengembangan dari penelitian sebelumnya, yaitu penelitian explanatory berdasarkan konsep pengembangan model atau theory dengan Path Analysis melalui uji normalitas data, multikolinieritas, dan uji heteroskedastisitas serta kausalitas. Data diambil dari Bank Indonesia, Badan Koordinasi Penanaman Modal, dan Biro Pusat Statistik. Ini adalah data time series dari tahun 2002 sampai 2006. Hasilnya menunjukkan bahwa pembiayaan investasi terhadap PDB berpengaruh signifikan dan negatif, pembiayaan investasi terhadap penyerapan tenaga kerja berpengaruh signifikan dan negatif; modal kerja pembiayaan terhadap PDB memiliki pengaruh yang signifikan dan positif; pembiayaan modal kerja untuk penyerapan tenaga kerja berpengaruh signifikan dan negatif; PDB di pasar tenaga kerja tidak berpengaruh signifikan atau positif; PDB untuk efek kesejahteraan, memiliki efek positif tetapi tidak signifikan; kerja kesejahteraan memiliki dampak yang signifikan dan positif. Secara keseluruhan, baik efek langsung atau tidak langsung pelaksanaan pembiayaan dari bank untuk membiayai investasi dan modal kerja kepada pengusaha semakin berpengaruh signifikan dan positif. Penyerapan telah mendominasi keuangan pembiayaan modal kerja, setelah konsumsi dan investasi. Dengan demikian, wajar bahwa pelaksanaan kredit investasi dan modal kerja berpengaruh signifikan dan positif terhadap pertumbuhan ekonomi, penyerapan tenaga kerja, dan kesejahteraan di empat kabupaten di Madura.

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1. INTRODUCTION

The impact of market globalization virtually appears to have no space limit, region, and time, a good flow of capital, labor, as well as of goods and services. With the capital accumulation that has been collected, advances in information technology, communication, and transportation, a country can reinvest their capital into new products which are innovative (Stiglitz 2003). Thus, they are able to create production efficiency and output, able to spread them to various countries. Goods and services are produced more and more, and in turn they could stimulate economic activity and economic growth in the future.

The added GRDP (gross regional domestic product) is one of the main yardsticks for economic growth of a country or region (Samuelson 2003, Abipraja 2002). Economic development requires economic growth by increasing the quality of education, health, and per capita income. The rapid advancement of the economy in a region can be characterized by the shift of economic activity from the primary sector (agriculture) to the secondary sector (industry) and onwards to the primary sector (financial services).

The theory of economic growth ranges from classical theory, neoclassical, Keynesian up (Smith, Solow, Coob-douglas, Meier, Kuznets, Chenery). They believe that economic growth depends on three factors, namely natural resources (nature), the amount of labor (labor) and the accumulation of capital for investment (capital). In this case, Harrod-Domar, Todaro (2004) added a key component in the economic growth of a nation; capital accumulation, population growth, technological advances, and government spending. Moreover, Schumpeter (1999) emphasized the economic growth which can be accelerated by technological development and innovation of its inhabitants.

Indeed, economic growth in East Java, especially, has the largest contribution to total economic growth in Indonesia. Java GDP stood at Rp1.136,33 trillion. Of that total government spending, only 9.8 per cent and the rest is driven by consumption on the role of employers in providing goods or services. That is the role of employers in promoting and growing the economy of East Java which seems very large.

Java GDP contribution to national GDP reached 15.17 percent in the last four years. The value of GDP in East Java increased nearly into doubled from the previous year GDP (<http://www.mappijatim.or.id>). However, per capita of GNI (Gross National Income) in three dis-

tricts in Madura: Pamekasan, Sampang, and Bangkalan has the lowest rank order position of GNI per capita in the province of East Java (Fatihudin 2012a). This fact attracts the researchers to study on the role of innovators, entrepreneurs to economic growth in a region.

Therefore, this study attempts to assess the effect of financing or investment and financing credit or working capital loans that have been disbursed by the Bank for entrepreneurs to economic growth, employment, and prosperity in the four counties in Madura Island. This study expects to contribute to the field of science and policy. It tries to contribute to science of the major regional investment development and working capital which are distributed by banks with investment theory.

The theory deals with local finance, economic growth theory, and the theory of regional economic development. This also can provide information and reference for the four local governments in the districts in East Java, especially in Madura for decision making related to the economic growth of the region. This is done in order to encourage economic development for formulating regional development strategies that approach the ideal conditions. Finally, it can also improve the welfare in four districts in Madura.

2. THEORETICAL FRAMEWORK AND HYPOTHESES

One of the measurements for a country's economy is by measuring the economic growth, economic development, and economic shifts (Jhingan 2007). Economic growth is indicated by increasing productivity of goods and services within a country in a given period. Another word of economic growth is often called the Gross National Product (GDP), GDP at the provincial level. The determinant of economic growth is largely determined by economic potential, the accumulation of capital, the quantity or quality of the workforce, innovation, and technology (Smith, Solow, Coob-Douglas, Meier, Kuznets, Chenery, (Todaro 2004). The wealth with abundant natural resources is meaningless when the country or a region does not have the ability to manage. Besides that, the quality of the population and the accumulation of capital are also important for economic growth.

In reference to previous studies, the private investment, government capital expenditure has positive effect on economic growth, employment, and welfare (Fatihudin 2012b). The purpose of the private investors is to increase the production capacity of goods or services and finally to maximize profits.

On the contrary, the government capital expenditure is intended to increase the capacity of public services. Therefore, economic growth is strongly influenced by the entrepreneurs, innovators, entrepreneurs (Schumpeter). In that condition, all economic activities are dominated by entrepreneurs. They finance the company by doing twofold: financing and funding.

Financing can be for short-term operating costs, such as buying raw materials, employee salaries, advance purchase, pay short-term debt. Yet, it can also be done by financing for capital expenditures for the long term, such as the purchase of production equipment, and new engine. Financing can also be done by borrowing funds from banks, individual or company to another.

Funding is on the other hand. It is done by issuing shares, bonds or other securities. The fresh funds are obtained, usually by the company and they can be used for financing the operations of the company, as well as for increasing their production capacity, production capacity, plant expansion, expand marketing and other regions. There are a few aspects that attract investors to invest in a region or districts or cities in Indonesia. They are due to the natural wealth of the area, long licensing, regulation, rule of law, regulation, quality of labor, bureaucratic preparedness, security, banking, infrastructure, roads, electricity, telephone, water, and so forth (KPPOD, Bank Indonesia, USAID, (The Asia Foundation 2001, 2004, 2007).

Since 2002 Regional Autonomy Law has been enacted and economic investment in the region becomes more attractive for analysis. The economic potential of the region that is geographically and demographically very likely to be explored and exploited by employers in the area which is set up for manufacturing factories of goods and services that can trigger economic growth in the region (Arsyad 2004). Besides, it improves the welfare of the population through employment to reduce unemployment and reduce poverty in the area.

Indeed, the behaviors of employers are always interesting for analysis from a variety or different dimensions and time. To complement previous research, this study analyses in the same way. In general, loans are extended by banks for the use such as: investment loans, working capital loans, and consumer loans. Each of such financings in the determination of interest rates on the loan; the amount will always be different. Usually, investment credit with working capital loans burden of

interest rates are charged to borrowers which can be much smaller when compared to the credit for consumption.

As it is concerned, it also attempts to demonstrate the business license (original) from the government. Another study states that the variable of investment loans, working capital loans, and consumption simultaneously and significantly affect economic growth (<http://www.e-jurnal.com>). Banking loans provide cash in dollars based on the borrowing and lending between banks with domestic private sector which operates in four counties in the island of Madura during the observation period 2002 to 2006. The working capital loan is a short-term loan granted to finance the working capital needs of the debtor concerned, for example, a loan for the property, the loan weeks to agribusiness.

Investment loan is a loan with medium of long term for the purchase of capital goods and services. It is needed to rehabilitation, modernization, expansion, and relocation projects and or new ventures. However, consumption loan is a loan for consumption by buying, renting, or by other means, such as a loan (mortgage), shop, shops and others (Bank Indonesia 2014). In addition, investment expenditure and capital expenditure can affect the economic activities of entrepreneurs who, in turn, will increase the goods and services to increase gross regional domestic product (GDP) of a region. Therefore, investment and working capital loans are worth to analyze together with the impact on economic growth, employment and welfare.

The following section is some of the results of previous studies of a wide range of credit. For example, IM Katili et al. (2014) based on the consideration, it has given credit worthiness; long business, business turnover, and the ability to pay of borrowers, having a business license, aged debtors no more than 65 years and not less than 21 years. Such determination of working capital credit limit is determined by the ratio of 70% (banking) and 30% (the debtor). Silaban PS (2013) GDP and total deposits have a positive effect on the provision of working capital loans. However, the CPI and the negative interest rates is the working capital loans.

Cholifah (2013) partially and simultaneously working capital loans, investment loans and consumer credit have positive effect on GDP. Again, W Dondo (2013) partially and simultaneously shows that interest rates, inflation have a positive effect on the allocation of working capital loans. GAD Utari (2012) on banking sector finance

growth improves economic growth, higher credit distribution, and vice versa. The bank proximity is affected by macroeconomic sectors, collateral valuation, the credit assessment, the level of bank risk, capital condition, the size of the bank, and bank ownership. Working capital loans and investment loans have a positive effect on economic growth of a region.

Based on theory and previous research findings, hypotheses developed in this study includes seven hypotheses; financing of investment to GDP; investment financing for energy absorption; financing of working capital to GDP; financing of working capital to labor absorption; GDP against labor absorption; GDP on welfare; absorption of labor to welfare. Overall the direct effect or indirect effect implementation of investment and working capital financing extended by banks to entrepreneurs have an effect on the increase in GDP, employment and welfare of the four districts in Madura, East province.

3. RESEARCH METHOD

The study uses a quantitative approach of the explanatory research. The types of data are processed secondary data from Bank Indonesia, the Central Statistics Agency (BPS) about investment credit (in million USD), working capital loans (in million USD), GDP (in million USD), absorption of labor (in percent), and welfare (HDI in percent). Time series data and pooled data (cross section).

The data were collected by using purposive sampling technique; appropriate sample research purposes (Fatihudin 2012c). They were processed by Microsoft Excel and SPSS. Prior to regression (standardized), firstly, they were attempted to have classical assumption; multicollinearity test, test homoscedasticity, autocorrelation test, and test for normality (Supranto 2004). Once these assumptions are met and then analysis Path analysis was done to test the hypothesis. The location is in four areas in Madura (Bangkalan, Sampang, Pamekasan, and Sumenep) during five years, 2002 to 2006.

4. DATA ANALYSIS AND DISCUSSION

The results of statistical computation and path analysis show some findings. The effect of exogenous variables (investment, working capital) on endogenous (welfare), either directly or indirectly through intervening variables (GDP, labors), are as follows; normality test by looking at the probability plot, if the plot is a straight line approach, the model assumptions are met. To test the homoscedasticity,

error variance (residual) has the same variant. Autocorrelation test model for testing correlates one another towards confounding variables by looking at the value of the Durbin-Watson (DW). For example, when approaching Figure 2 (two), it is said there is no correlation.

The test of multicollinearity is done to look perfect linear relationship between the exogenous variables in the regression model. This is conducted by looking at the value of the inflation factor (VIF) in the independent variables of each model. When the VIF value of less than 10 (ten), it is said there is no multicollinearity. Hypothesis test is done to determine the level of significance between exogenous variables on endogen variables by observing the value of R^2 , test-F, test-t. R^2 test that is the size of exogenous modifier variants variables on endogenous in overall F-test and t-test partially (Supranto 2004). This can be seen in Figure 1.

Multicollinearity test shows that the value of the variance inflation factor (VIF) for each model of Y1 (1.001), Y2 (1.002), and Y3 (1.049), I fact there is no multicollinearity (Table excluded variables). Autocorrelation test shows that the value of DW = 2.107; 2.099 no correlation; Hypothesis: $R^2 = .442$ investment loans and credit affect capital expenditure totaled to 44% of GDP, labor absorption and welfare of the four districts in Madura. 56% are affected by variables outside the variables in this study (Table 1/Model summary); Test-F = 25 175 with a significance level of 0.000, in which F value is less than 0.05 (Table ANOVA). T-test (column CR = critical value).

Financing investment negatively and significantly affects the increase of GDP with a path coefficient of -0.608 with a probability level of significance (p) of 0.004 and therefore it is smaller than the significance level (α) of 0.05. This indicates an acceptance of support for the first hypothesis, which means that private sector investment financing which is disbursed by banks, affects positively the GDP of four regions in Madura.

Financing investment also has a significant and negative effect on labor absorption with coefficient of -0.226 and a path probability level of significance (p) of 0.235. Thus, it is greater than the significance level (α) of 0.05. This indicates a rejection of the hypothesis statement, which means that private sector investment financing disbursed by banks does not affect positively labor absorption four regions in Madura.

Working capital financing has a significant and positive effect on the increase in GDP with the path

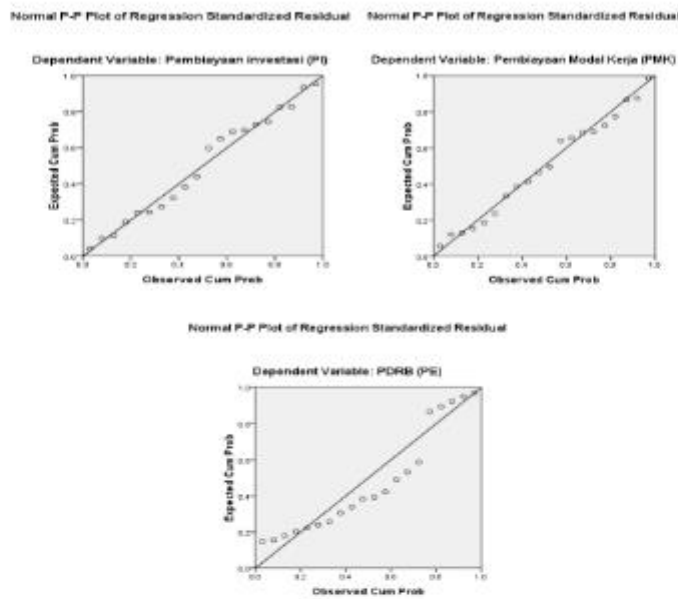


Figure 1
The Normality Test: Fulfilled of the Test of Multicollinearity

coefficient of 0.461 and a significance level of probability (p) of 0.041. Therefore, it is smaller than the significance level (α) of 0.05. This indicates acceptance of support for the third hypothesis, which means that the working capital financing extended by banks despite little positive effect on the increase in GDP of four regions in Madura.

Working Capital Financing has a significant but negative effect on the absorption of labor with a path coefficient of -0.279 and a probability level of significance (p) of 0.090. Thus, it is greater than the significance level (α) of 0.05. This indicates a rejection of the fourth hypothesis, which means that the Working Capital Financing disbursed by banks does not significantly affect the absorption of labor four regions in Madura.

Added GDP effect has a positive but not significant effect on labor absorption with coefficient of 0.226 and a probability level of significance (p) of -0.235 and it is smaller but the negative of significance level (α) of 0.05. This indicates acceptance of support for the fifth hypothesis, which means that an increase in GDP affect positively but not significantly to labor absorption four regions in Madura.

Added GDP has a positive effect on the welfare but not significant with a path coefficient of 0.124

and a significance level of probability (p) of 0.526 thus it is greater than the significance level (α) of 0.05. This indicates acceptance of the sixth hypothesis, which means that the increase in GDP has a positive but not significant effect on the welfare of the four regions in Madura.

Employment has a significant and positive effect on the welfare with the path coefficient of 0.749, and a probability level of significance (p) of 0.000. Therefore, it is smaller than the significance level (α) of 0.05. This indicates acceptance of support for the seventh hypothesis, which means that employment has a positive and significant effect on the welfare of the people of four regions in Madura.

When analyzed from the total effect, both investment financing and working capital financing extended by banks have a positive and significant effect on welfare, either through accretion coefficient of GDP and employment of four regions in Madura. However, when analyzed from the indirect effect, the financing of investments has a positive and significant effect on the welfare with the path coefficient of 0.367 and it also affects the increase GDP and employment.

Financing of working capital shows it has a positive and significant effect on the welfare also

Table 1
Coefficients Line Hypothesis Testing Results

Exogenous and Endogenous Variables		Coefficient Path	C.R.	Prob. Value	Hypothesis Testing
X1	Y1	-0.608	-3.309	0.004	Significant
X1	Y2	-0.226	-1.230	0.235	Not significant
X2	Y1	0.461	-2.206	0.041	Significant
X2	Y2	-0.279	-1.364	0.090	Not significant
Y1	Y2	0.226	-1.231	0.235	Not significant
Y1	Y3	0.124	0.648	0.526	Not significant
Y2	Y3	0.749	0.699	0.000	Significant

Source: Data processed (2014).

with a path coefficient of 1.181 through accretion of GDP and employment. Overall, the direct effect the implementation of financing provided by banks for investment and working capital to entrepreneurs has a positive and significant effect on the increase in GDP, employment and welfare in four regencies in Madura (Bangkalan, Sampang, Pamekasan, and Sumenep).

The allocation of investment and working capital financing has been distributed by banking sectors to private sector employers in regencies in Madura during the observation of the period 2002 to 2006. This can be shown in Figure 2.

Working capital loans from four regencies on average is 50 percent, especially in Sumenep, it reaches up to 64 percent, Sampang only 29 percent, almost equal to the investment credit of 28 percent. Yet, the investment in Sumenep, Pamekasan, and that in Bangkalan, the average is between 28 percent to 4persen. The least investment among them is in Sumenep. Similarly, in East Java, working capital loans is ranked the highest by 62 percent, followed by consumer loans 26 percent and the last 12 percent investment credit.

Indeed, the investment credit in Sampang is small due it's geographically and demographically fewer in number. Thus, it is natural in that case. Overall, good working capital loan in four regencies in East Java, Madura, and working capital loans ranks first, followed by the final consumer loans and the smallest one that is investment credit. For that reason, the generous nature populations of four regencies in Madura are more active in business or trade but also they are followed by a rise in the level of consumption.

However, very few bank loans are used for long-term investment. As such, the money is used for working capital and short-term company's operations as well as increase the level of consumption. Indeed, in macroeconomic theory circle, each other revenues are interconnected wherever this is

started to do. Production affects revenue, then revenue will affect spending and return to again spending and finally this affects production.

The national income is a function of consumption, savings, investment, and aggregate expenditure. In that case, investment loans are used for the purchase of capital goods or services for long term or medium such as rehabilitation, modernization, expansion, or relocation project, and the establishment of new businesses.

In such above condition, the results show that the investment credit does not significantly affect the increase in gross regional product (GDP). This means that the investment loan is not in line with the increase GDP. This is due to the fact that the increase does not affect the investment credit and GDP increase. This evidence is supported by empirical data that shows all four regions or regencies in Madura have the smallest value of investment loans when compared with working capital credit and consumption.

The employers in four regions in Madura have still very little in the use of investment loans for the purchase of capital goods or services for long term. For that reason, it is normal that the increase of goods or services in all four regions shows a slow movement. This slowing economic activity resulted in economic growth. This is in line with national income in macroeconomic theory. Financing investment has a negative effect on employment, but it is not significant. Naturally, the investment financing is not in line with employment. This is due to the investment costs of banking sectors which are fully used to purchase capital goods or services. Thus it is so little long-term being absorbed for labor. This is in line with theoretical and empirical research investment of the all district's total financing amount that is small and employment is also less and it even becomes negative.

Both the number and per sector; primary, sec-

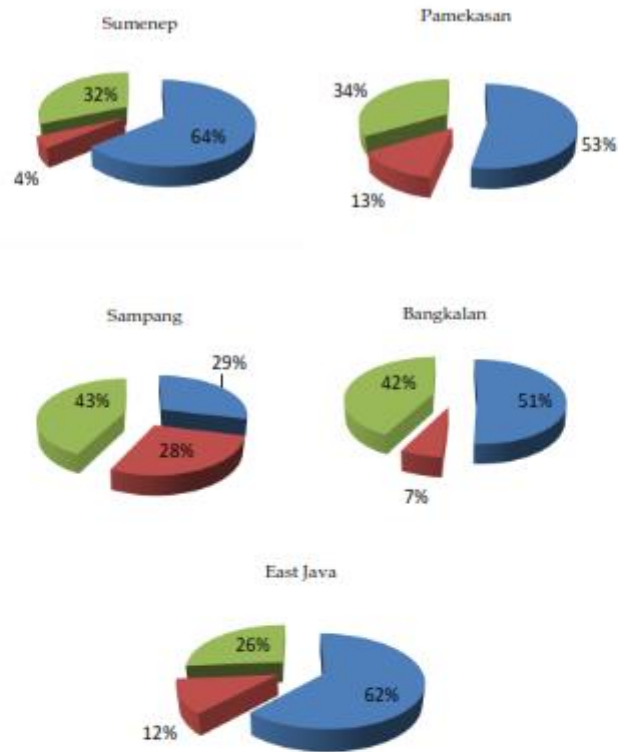


Figure 2
Allocation of Financing for Investment and Working Capital, 2002-2006

Blue=working capital; Red=investment; Green=consumption (Source: Bank Indonesia 2014).

ondary and tertiary are declining and becoming negative. Indeed, agriculture, livestock, fisheries, and plantations have become the mainstay of economic sectors in the four regencies in Madura but they also declined. Moreover, secondary and tertiary sectors of mining, processing, and hospitality services have also slowed down. It must be due to the cost of investing more in capital-intensive capital and technology intensive effort, rather than on labor intensive.

The direct effect of the working capital on the increase of GDP is that the working capital is used to finance the company's operating costs or working capital for short-term, such as the purchase of raw materials, pay employees' wages, pay advances, and short-term debt. It indicates that the financing of working capital has a positive and significant effect on the increase in gross domestic

product (GDP) in the four regencies in Madura. This means that increasing numbers of working capital loans will increase in line with rising GDP in the four regions. Thus, increasing the amount of working capital loan will also increase the amount of GDP in the four regions. This is also in accordance with empirical data that the most dominant is the working capital loans when compared to consumer loans and investment loans in all regions.

The active entrepreneurs in economic activity are all characterized by a lot of absorption of working capital loans from banks by the entrepreneurs through all four regencies. Therefore, the production of goods or services is increasing. In accordance with the theory of economic growth, the impact of the increase in the goods or services will encourage positively economic growth in the

four regencies. The working capital loans have no effect on employment and it is not significant. The result showed that labor is very little even it is less employment. This is due to the working capital credit which is more widely used for short-term operations. Such expenditures are buying raw materials production, paying employee wages and other advances. Thus, it is natural that there is no effect on employment four counties on the island of Madura.

The empirical data show that although the working capital loans of the total working capital loans are in the same year at the time of observation 2002 to 2006, the employment declined even it become negative. This evidence is in accordance with the data obtained from the central body of the four regencies statistics. The working capital increases but employment decreases even it becomes negative. The financing Investment banking is distributed positively and it affects though not significantly employment. This implies that the long-term investment spending is used by employers use to buy capital goods or production and to increase production capacity, market expansion, and enlarge the company.

Obviously, such condition has an indirect positive effect on employment in spite of the long-term effects, but fewer and less significant. When corresponding to the empirical data in the same year in the observation period 2002-2006, both the number and amount of investment financing employment are equally small, even employment in the four regions in Madura decline and they are negative.

Added GDP directly has significant and direct effect on the welfare of the four regencies in Madura. Similarly, employment has significant and positive effect on well-being. The amount of goods and services in the market is due to the many companies that produce them. This is due to the fact that production process certainly can absorb many workers into the company. The income by the employees will be used for consumption ranging from basic materials, education, health and others. When they have met these requirements, the four regencies' residents can feel that there is an increase in their well-being and in the future.

The GDP increases investment financing through indirect effect on the welfare of the four regions in Madura. Although investment financing is fewer in number than the working capital financing and consumer financing, the financing investment has a positive effect on the welfare of the four regions, although not significantly. It is positive when the investment expenditures can produce

many goods and services. The capital expenditure investments done by entrepreneurs will have an impact on the increasing number of goods or services available in the community. In that condition, the economic activity increases.

The population has an income. Private consumption is also easily met. It can all add to the level of welfare. This is evidenced by empirical data on the human development index that shows the four regions in the range between 59.11 to 64.14 percent, the highest is in the Pamekasan regency and the smallest is in Sampang regency. It is in the long-term investment spending, still to lead to an indirect effect on the welfare of the four regencies.

The working capital financing has indirect effect both positively and significantly on the welfare of the four regencies through employment. The entrepreneurs in production activities almost certainly require manpower. For energy, it can be absorbed by the industry, and it will affect the amount of income for themselves and their families. The financing of working capital loan is the largest in four regions in Madura, and this will have an impact on the welfare of the population, although it still slightly absorbs the labors.

It could be more production activities in capital-intensive approach, not a little labor intensive employment. Overall, as it is based on the results of the study, it indicates that the financing of investment and working capital have a positive and significant effect on the increase in GDP, employment, and welfare of all four regions in Madura by 44 percent. This means that 56 percent is affected by other variables. These other variables can be consumer credit, the expectations of employers, interest rates, inflation, and other business risks. For this consideration, this can also show the limitations in this study. Therefore, to be more complete for these findings, further research can include those variables as the object of study variables at the same location.

5. CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATION

In general, it can be concluded the contribution of most implementation of the financing (credit) on working capital is occupied the highest position of the total financing (loans) that are distributed by banks in four regencies in Madura. It is then followed by consumer credit and finally it is followed by the smallest one that is investment credit. The financing of investment and working capital has an effect either directly or indirectly and

positively on the added GDB, although not significant, employment, and welfare in four regencies in Madura.

Positive direction indicates that the increase in investment loans and working capital loans may lead to an increase also in the number of additional GDP, increasing the number of employment, and the welfare of the four regencies in Madura, even though in small significance.

The intensive labor approach or capital intensive economic development in Madura depends on the purpose and approach which is needed according to the conditions. Private investment and working capital is required to spur economic growth in the regions. It is recommended that the investors should be able to increase economic growth; employment and improving the welfare of the four regencies in Madura want increased (Bangkalan, Sampang, Pamekasan, Sumenep). There are several criteria to attract investors to come to Madura; quality-quantity availability of labor, permitting quick and easy, bureaucratic, and institutional readiness, ease of access to banking, access roads, security, availability of electricity, telephone, water, and other infrastructure.

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