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THE INFLUENCE OF INVESTMENT, INFLATION, AND WAGES ON UNEMPLOYMENT AND PROVERTY IN PROVINCE OF NORTH SUMATERA : A CONCEPT OF PATH ANALYSIS

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ABSTRACT

The objective of this study is to analyze the effect of investment, inflation, and wages on poverty through unemployment in the province of North Sumatra. This study uses secondary data from the Indonesian Central Bureau of Statistics and Bank Indonesia from 1991 to 2015, which are analyzed through path analysis with multiple linear regression. The results show that, in model 1, investment has a negative and significant effect, wages have a positive effect, inflation has a positive and significant effect, and unemployment has a positive effect on poverty in North Sumatra. Model 2 indicates that investment has a negative and significant effect, wages have a positive and significant effect, and inflation has a positive effect on unemployment in North Sumatra. The indirect effect of investment on poverty through unemployment is 0.81 percent, the effect of wages is 2.4 percent, and the effect of inflation is 0.28 percent. The results of this study explain the most dominant factor of poverty is inflation, while the most dominant factor of unemployment is wages.

Keywords: poverty, unemployment, investment, inflation, wages