MACROECONOMIC DYNAMICS AND COMMUNITY WELFARE: AN EMPIRICAL STUDY OF PURCHASING POWER IN MEDAN CITY

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Abstract

This study analyzes the influence of key macroeconomic factors on community purchasing power as an important indicator of social and economic welfare in urban areas. Specifically, it examines the effects of Gross Regional Domestic Product (GRDP), inflation, and the Regional Minimum Wage on purchasing power in Medan City, Indonesia. Purchasing power reflects the community's ability to meet basic and non-basic needs and plays a strategic role in sustaining social stability and improving living standards within urban society. The study employs a quantitative approach using multiple linear regression analysis based on secondary monthly data from 2019 to 2023 obtained from the Central Statistics Agency. The results show that inflation has a negative and significant effect on purchasing power, while GRDP and the Regional Minimum Wage have positive and significant effects. Simultaneously, the three variables significantly influence purchasing power, with an R-squared value of 0.691, indicating that 69.1% of the variation in purchasing power is explained by the model. These findings highlight the importance of inclusive economic growth, sustainable wage policies, and effective inflation control in strengthening community welfare. This study contributes to social and economic development discourse by providing empirical evidence to support public policies aimed at improving the purchasing power and well-being of urban communities.

Keywords: Community Welfare; Purchasing Power; Regional Economy; Inflation; Minimum Wage.

Abstrak

Penelitian ini menganalisis pengaruh faktor-faktor makroekonomi terhadap daya beli masyarakat sebagai indikator penting kesejahteraan sosial dan ekonomi di wilayah perkotaan. Secara khusus, penelitian ini mengkaji pengaruh Produk Domestik Regional Bruto (PDRB), inflasi, dan Upah Minimum Regional terhadap daya beli masyarakat di Kota Medan. Daya beli mencerminkan kemampuan masyarakat dalam memenuhi kebutuhan dasar dan non-dasar, serta memiliki peran strategis dalam menjaga stabilitas sosial dan meningkatkan kualitas hidup masyarakat perkotaan. Penelitian ini menggunakan pendekatan kuantitatif dengan metode regresi linier berganda berdasarkan data sekunder bulanan periode 2019– 2023 yang diperoleh dari Badan Pusat Statistik. Hasil penelitian menunjukkan bahwa inflasi berpengaruh negatif dan signifikan terhadap daya beli masyarakat, sementara PDRB dan Upah Minimum Regional berpengaruh positif dan signifikan. Secara simultan, ketiga variabel tersebut berpengaruh signifikan terhadap daya beli masyarakat dengan nilai koefisien determinasi (R²) sebesar 0,691. Temuan ini menegaskan pentingnya pertumbuhan ekonomi yang inklusif, kebijakan pengupahan yang berkelanjutan, serta pengendalian inflasi dalam memperkuat kesejahteraan masyarakat. Penelitian ini memberikan kontribusi empiris bagi pengembangan kebijakan publik yang berorientasi pada peningkatan daya beli dan kesejahteraan sosial masyarakat perkotaan.

Kata Kunci: Kesejahteraan Masyarakat; Daya Beli; Ekonomi Daerah; Inflasi; Upah Minimum.

INTRODUCTION

Purchasing power is one of the important indicators in assessing the level of economic welfare and quality of life in a region. The high or low purchasing power reflects the community's ability to meet basic and advanced needs through consumption activities.[1] In the context of regional economic development, purchasing power plays a strategic role because it is directly related to economic growth, social stability, and sustainable development.[2] Therefore, understanding the factors that influence people's purchasing power becomes important in formulating targeted economic policies.

Theoretically, the purchasing power of the public is influenced by various macroeconomic factors, including Gross Regional Domestic Product (GRDP), inflation, and the Regional Minimum Wage (UMR). GRDP reflects the level of economic activity and a region's ability to create added value. An increase in GRDP is generally followed by an increase in public income, which ultimately positively affects purchasing power.[3] On the

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[1]A A Putri et al., "Analisis Perilaku Mahasiswi Sebagai Konsumen Muslim Terhadap Daya Beli Produk Online Di E-Commerce Shopee," *ESENSI: Jurnal Manajemen Bisnis* 27, no. 2 (2024): 8–24, https://doi.org/10.56943/esensi.v27i2.33.

[2]Mustafa and Kurniawan, "Analisis Peran Akuntansi Syariah Dalam Meningkatkan Akuntabilitas Laporan Keuangan Pada Lembaga Keuangan Mikro Syariah," *Jurnal Keuangan Dan Akuntansi* 14, no. 3 (2022): 227–40.

[3]S Sukirno, *Makroekonomi: Teori Pengantar (Edisi Revisi)* (Rajawali Pers, 2021).

contrary, high inflation can reduce purchasing power because rising prices of goods and services decrease the real value of people's income.[4] Meanwhile, the minimum wage policy serves as a labor protection instrument to ensure a decent minimum income, thus playing a role in maintaining workers' purchasing power, especially in urban areas.[5]

The city of Medan, as the center of economic, trade, and service activities in Sumatera Utara Province, has a complex economic dynamic. Relatively high economic growth, urbanization flows, and fluctuations in staple food prices make the purchasing power of Medan residents very sensitive to changes in macroeconomic variables. On the other hand, the establishment of the minimum wage (UMR) in Medan often faces challenges in maintaining a balance between workers' interests and the capacity of businesses, especially under fluctuating inflation conditions. Based on data from the Medan BPS, the per capita expenditure, inflation, and minimum wage are presented in the following table:

Table 1. Per Capita Expenditure, GRDP, Inflation, and Minimum Wage according to BPS in Medan City.

Year	Per Capita Expenditure		PDRB		Inflation (%)	Minimum Wage (IDR)
	Million rupiah/year	Growth (%)	Trillion rupiah/year	Growth (%)		
2019	13,24	2,71	160,78	5,93	3,36	2.969.824
2020	12,78	-3,47	156,85	-2,45	1,97	3.222.556
2021	13,35	4,46	164,97	5,18	2,85	3.329.867
2022	13,97	4,64	175,23	6,22	4,42	3.370.645
2023	14,42	3,22	184,76	5,44	3,64	3.624.117

Source: Central Statistics Agency of Medan City (2024).

The purchasing power of the people of Medan City during the 2019-2023 period showed significant resilience and adaptation, with an increase in spending from 2019 (13.24 million IDR) to 2023 (14.42 million IDR), indicating a rise in per capita expenditure. This increase shows that people have more money to spend, potentially boosting purchasing power. GRDP rose from IDR 160.78 trillion in 2019 to IDR 184.76 trillion in 2023. Positive GRDP growth reflects healthy economic growth, which usually contributes to increased employment and community income. The impact of inflation on purchasing power, based on the data above, shows that fluctuating inflation, peaking in 2022 (6.22%), can erode people's purchasing power. Although per capita expenditure increases, high inflation can reduce the real value of that expenditure, so the purchasing power of the public does not increase significantly.

The minimum wage, particularly in Sumatera Utara Province in 2024, is regulated in Law No. 11 of 2020 concerning Job Creation and Government Regulation No. 36 of 2021 concerning Wages. There has been an increase from IDR 2,969,824 in 2019 to IDR 3,624,117 in 2023, boosting the purchasing power of people with higher incomes, driving regional economic growth, and improving the Decent Living Needs (KHL). According to research, the UMR level has a significant impact on per capita expenditure, while

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[4]N. G Mankiw, *Principles of Economics (10th Ed.)* (Cengage Learning, 2023).

[5]D Rani, P. E Prasetyo, and S Nugroho, "Pengaruh Upah Minimum Regional Terhadap Kesejahteraan Pekerja Dan Daya Beli Masyarakat Perkotaan," *Jurnal Ekonomi Dan Kebijakan Publik* 14, no. 2 (2023): 115–128.

population size and unemployment rates do not have a significant impact. The UMR has a negative and insignificant impact on labor absorption, while the Regional Domestic Product (PDRB) has a positive and significant imjact.[6]

Data from BPS Medan City (2024) shows an increase in per capita expenditure, GRDP, and minimum wage from 2019 to 2023. However, inflation has shown fluctuations during that period. The studies above provide context that although the minimum wage and GRDP have increased, their impact on community welfare and other economic indicators such as per capita expenditure and inflation is not always linear or significant.

Research on people's purchasing power has been widely conducted by placing macroeconomic variables such as Gross Regional Domestic Product (GRDP), inflation, and minimum wages as the main determining factors. Theoretically, an increase in GRDP reflects economic growth that has the potential to boost people's income and consumption, while high inflation tends to reduce purchasing power due to rising prices of goods and services.[7] On the other hand, minimum wage policies are seen as an important instrument for protecting workers' real income and maintaining economic welfare, especially in developing countries.

However, most previous studies have still focused on the national or provincial level and have not specifically examined economic dynamics at the city level. In fact, urban areas have distinctive economic characteristics, such as an economy based on services and trade, high living costs, and greater sensitivity to inflation and minimum wage policies (Todaro and Smith, n.d.). Furthermore, some studies still analyze the effects of these variables partially, without integrating GRDP, inflation, and the Regional Minimum Wage (UMR) into a comprehensive empirical model to explain the purchasing power of the community.[8] This condition indicates the existence of a research gap related to the limited empirical studies based on urban regional economics.

The novelty of this research lies in its empirical approach that simultaneously integrates GRDP, inflation, and Regional Minimum Wage in analyzing the purchasing power of the community at the city level. By using Medan City as the research location, this study provides empirical evidence that is contextual and specific to the dynamics of urban economies in Indonesia. This research not only enriches the literature on the determinants of purchasing power from a regional economic perspective, but also offers practical contributions to local governments in formulating economic policies aimed at improving community welfare through strengthening economic growth, price stability, and sustainable wage policies.

LITERATURE REVIEW
A. Purchasing Power

Buying and selling is the activity of exchanging goods or services between the seller and the buyer based on mutual agreement. From the perspective of values and ethics, buying and selling is not only focused on profit, but also emphasizes honesty, fairness, and

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[6]J Banurea, "Pengaruh PDRB, Investasi Dan Upah Minimum Terhadap Penyerapan Tenaga Kerja Di Kota Medan," *Jurnal Ilmu Sosial Dan Pemasaran Digital* 14 (2025).

[7]Sukirno, *Makroekonomi: Teori Pengantar (Edisi Revisi)*.

[8]A Suryahadi, R Al Izzati, and D Suryadarma, "The Impact of Macroeconomic Conditions on Household Welfare and Regional Economic Disparities in Indonesia," *Bulletin of Indonesian Economic Studies* 59, no. 2 (2023): 215–238.

responsibility.[9] Transactions carried out transparently, without fraud and mutual harm, reflect a healthy social relationship and serve as a means of fulfilling life's needs with moral value and, in Islamic teachings, spiritual merit.[10]

B. Gross Regional Domestic Product

Gross Regional Domestic Product (GRDP) is an economic indicator that describes the total value of final goods and services produced by various economic sectors in a region over a certain period of time, usually one year.[11] GRDP reflects a region's ability to manage economic resources and indicates the level of economic activity and growth in that area. In addition to being used to assess economic growth, GRDP also serves as a basis for development planning, evaluation of regional policies, and comparison of welfare levels between regions.[12] Thus, GRDP becomes an important tool in understanding the condition and direction of a region's economic development.

C. Inflation

Inflation is an economic condition in which the prices of goods and services generally increase consistently over a certain period of time. As a result, people who were initially able to buy goods and services have to spend more money to purchase them, causing them to either reduce their consumption or cut back on it.[13] In the field of macroeconomics, controlling the rate and level of inflation is very important because the impact of inflation can affect public welfare, especially when inflation is high and unstable. Therefore, the government and the central bank must be responsible for controlling inflation to achieve equitable welfare.

D. Regional Minimum Wage

The minimum wage is a key component of labor policy that has a direct impact on workers' purchasing power. Setting the appropriate minimum wage will ensure workers' welfare, increase purchasing power and public consumption, and support local and national economic growth. The minimum wage is the amount of compensation that employers must provide to workers to ensure their basic needs for a decent living are met.[14] The minimum wage (UMR) functions as a tool to maintain workers' purchasing power. If the UMR is too low, purchasing power will decrease, which has implications for the welfare

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[9]S N Pasaribu, Y S Nasution, and H Harmain, "Pengelolaan Keuangan Desa Dan Sistem Akuntansi Keuangan Desa Dalam Rangka Meningkatan Kinerja Pemerintah Desa Sibito," *Jurnal Ilmiah Manajemen, Ekonomi, & Akuntansi (MEA)* 7, no. 3 (2023): 95–111, https://doi.org/10.31955/mea.v7i3.3307.

[10]R Hidayat and T Iskandar, "Strategi Meningkatkan Penghasilan Untuk Kesejahteraan Keluarga Pedagang," *Inovatif: Jurnal Ekonomi, Manajemen, Akuntansi, Bisnis Digital Dan Kewirausahaan* 1, no. 4 (2022): 305–15, https://doi.org/10.55983/inov.v1i4.197.

[11]Nurbaiti et al., "Behavior Analysis of MSMEs in Indonesia Using Fintech Lending Comparative Study between Sharia Fintech Lending and Conventional Fintech Lending," *JPPI (Jurnal Penelitian Pendidikan Indonesia)* 9, no. 4 (2023), https://doi.org/10.29210/0202312273.

[12]Imsar, J Nasution, and A A Ndraha, "Analisis Pengaruh Pembiayaan Paket Masa Depan Terhadap Pertumbuhan Usaha Mikro Kecil Dan Menengah Dan Peningkatan Pendapatan Nasabah Dalam Perspektif Ekonomi Islam," *Ats-Tsarwah: Jurnal Hukum Ekonomi Islam* 3, no. 1 (2023): 20–30.

[13]F A Purnamasari, "Pengaruh Inflasi Terhadap Pertumbuhan Ekonomi Indonesia," *Ekonomica Sharia: Jurnal Pemikiran Dan Pengembangan Ekonomi Syariah*, 2021, 17–28, http://www.bps.go.id.

[14]A Pujadi, "Inflasi: Teori Dan Kebijakan," *Jurnal Manajemen Diversitas*, 2022, 73–77.

and household consumption of workers. The UMR is the minimum financial compensation according to government regulations aimed at ensuring workers' welfare.

An increase in the minimum wage (UMR) will raise the purchasing power of the lower-class population (workers), thereby boosting consumption and the local economy. If the minimum wage increases, workers' income rises, their ability to purchase basic necessities improves, household consumption also increases, and the local economy is stimulated. Conversely, if the minimum wage does not meet the cost of a decent living, purchasing power declines, consumption decreases, and the risk of poverty increases.[15]

METHOD

This study uses a quantitative method with multiple linear regression analysis to examine the influence of GRDP, Inflation, and Minimum Wage on Purchasing Power in Medan City. The research regression equation includes:

$$DB = \alpha + \beta 1\ PDRB + \beta 2\ IN + \beta 3\ UMR + \varepsilon$$

Notes:
DB (Y) : Purchasing power
α   : Constant
β   : Coefficient
X1   : GRDP
X2   : Inflation
X3   : Minimum wage
ε   : (Error term)

The study uses secondary data from the last 5 years (2019-2023), which can be accessed through official publications on the website https://medankota.bps.go.id/id. The research variables and indicators are presented in the following table:

Table 2. Research Variables and Indicators.

No	Variable	Indicator	Scale
1	Purchasing Power	Per capita expenditure	Nominal
2	Gross Regional Domestic Product (GRDP)	Income measured at current prices	Nominal
3	Inflation	Monthly inflation rate	Percentage
4	Regional Minimum Wage	Decent Living Needs (KHL)	Nominal

Source: Author's Data Processing (2025).

The population in this study consists of monthly data on Purchasing Power, GRDP, Inflation, and Minimum Wage for the period 2019-2023, with a total of 60 data points for each variable. The analysis was conducted using multiple linear regression. Classical assumption tests such as normality, multicollinearity, heteroscedasticity, and autocorrelation were used to analyze this study. Furthermore, hypothesis testing was carried out using the t-test, F-test, and the coefficient of determination (r^2), as well as the multiple linear regression model test. Data analysis was performed using SPSS 27 software. The

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[15] B T Martanto, "Analisis Tingkat Inflasi Di Indonesia Tahun 1998-2020 (Pendekatan Error Correction Model)," *Jurnal Paradigma Ekonomika*, 2021, 619–32.

regression model used GRDP, Inflation, and Minimum Wage as independent variables and purchasing power as the dependent variable.

FINDINGS AND DISCUSSION
Findings
A. Normality test

In classical linear regression analysis, one of the main assumptions is that the residuals must be normally distributed. Therefore, a normality test is conducted to determine whether the residual data in the regression model are normally distributed or not. The Kolmogorov-Smirnov test is used in this study.

Table 3. Normality Test Results.

Description	Unstandardized Residual
Asymp. Sig. (2-tailed)	0.200^d
Monte Carlo Sig. (2-tailed)	
└ Sig.	0.235
99% Confidence Interval	
└ Lower Bound	0.224
└ Upper Bound	0.246

Source: SPSS Data Processing (2025).

From Table 3, it is known that the sig value is 0.05 (5%) as the standard limit and the sig value of 0.235 > 0.05 from the Normality Test, so the data is normally distributed (because 0.235 > 0.05).

B. Multicollinearity Test

The results of the multicollinearity test for each independent variable are presented in the collinearity statistics table, along with the tolerance and VIF values:

**Table 4. Results of Multicollinearity Test.**

Collinearity statistics	
Tolerance	VIF
0,603	1,658
0,968	1,033
0,591	1,693

Source: SPSS Data Processing (2025).

All tolerance values are greater than 0.1 and all variance inflation factor (VIF) values are below 10, indicating that there is no multicollinearity. Since they do not have significant correlations with each other, the independent variables can be used in regression analysis.

C. Heteroskedasticity Test

In the scatterplot below, heteroscedasticity does not occur if there are no points forming a certain regular pattern. Furthermore, if the points are randomly scattered above or below the zero on the y-axis, then heteroscedasticity does not occur. A research model that does not contain heteroscedasticity is the best.
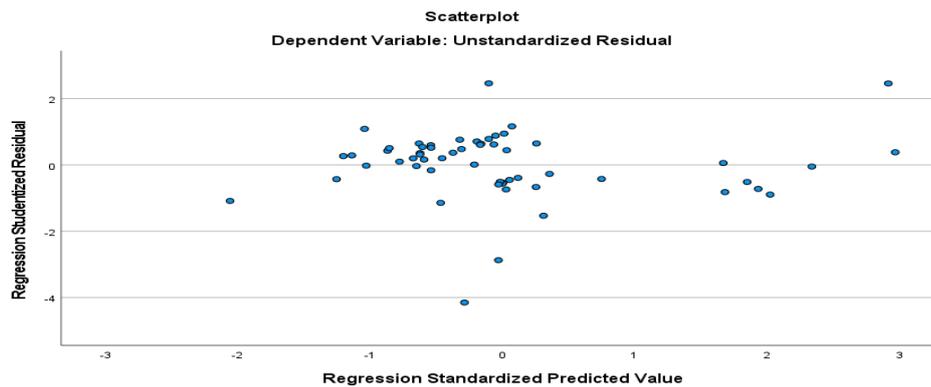
Figure 1. Heteroskedasticity Test (Scatterplot Diagram).

The horizontal zero line has scattered residual points. There are no funnel-shaped, 'U', or 'V' patterns. Because the residual dispersion pattern is uniform and random, the assumption of homoscedasticity tends to be fulfilled. Therefore, the regression model is statistically feasible to use and the residual variance is relatively constant.

D. Autocorrelation Test

Table 5. Results of the Autocorrelation Test.

Model Summary[b]	
Model	Durbin-Watson
1	1,925

Source: SPSS Data Processing (2025).

Autocorrelation test is used to see whether there is an autocorrelation problem or correlation between variables. Based on the table above, there is a DW value of 1.925. Given the sample (n:60) and independent variables (k:3), the following value is obtained:

DL Value   : 1.480
DU Value   : 1.689
DW Value   : 1.925

Because DW > DU, it can be concluded that there is no significant positive autocorrelation. A DW value close to 2 indicates that the residuals tend to be random and do not have a strong autocorrelation pattern.

E. T-Test

To measure the influence of each independent variable on the dependent variable in the regression model, the T-test is used. In this study, the t-test is used with a significance level (α) of 0.05 or 5%. The results are presented in Table 6 below:

Table 6. T-Test Results.

Variable	Unstandardized Coefficients (B)	Std. Error	Standardized Coefficients (Beta)	t	Sig.
Constant	64.538	7.095	—	9.096	0.000
GRDP (PDRB)	0.015	0.004	0.372	3.893	0.000
Inflation	-0.748	0.325	-0.174	-2.305	0.025

Regional Minimum Wage (UMR)	13.914	2.712	0.496	5.130	0.000

Source: SPSS Data Processing (2025).

With a calculated *t*-value of 3.893 and significance of 0.000 < 0.05, the GRDP variable has a significant effect on purchasing power. The inflation variable also has a significant effect on purchasing power, with a calculated *t*-value of 2.305 and significance of 0.000 < 0.05. The minimum wage variable also has a significant effect on purchasing power. All three independent variables have a significant impact on purchasing power partially; GRDP and minimum wage have a positive impact, while inflation has a negative impact.

F. F Test

To determine whether the independent variable has a significant effect on the purchasing power of the public when both are used together.

Table 7. F Test.

ANOVA[a]						
	Model	**Sum of Squares**	**df**	**Mean Square**	**F**	**Sig.**
1	Regression	2087,466	3	695,822	41,831	,000[b]
	Residual	931,517	56	16,634		
	Total	3018,983	59			

Source: SPSS Data Processing (2025).

An F value of 41.831 indicates that the regression model is very strong. Sig. 0.000 < 0.05, the result is statistically significant, and simultaneously (F test), all three variables have a significant effect on purchasing power.

G. Test of the Coefficient of Determination (R Square)

The coefficient of determination test is used to determine how well the regression model can explain the variation in the dependent variable. The proportion of variance in the dependent variable that can be explained simultaneously by the independent variables in the regression model is indicated by the R Square (R2) value.

Table 8. R Square Test.

Model Summary[b]			
R	R Square	Adjusted R Square	Std. Error of the Estimate
0.832[a]	0.691	0.675	4.07851

Source: SPSS Data Processing (2025).

According to the regression model, the minimum wage, inflation, and GRDP overall have a significant impact on the purchasing power of the public. The high R2 value (69.1%) indicates that this model has the ability to explain the majority of changes in purchasing power. However, there is still a 30.9 percent gap for additional variables, such as interest rates, prices of basic necessities, unemployment, and fiscal policies.

H. Regression Model Test

$$DB = 64{,}538 + 0{,}015PDRB - 0{,}748IN + 13{,}914UMR.$$

The constant value of 64.538 means that if the variables GRDP, Inflation, and Minimum Wage remain constant, then the purchasing power is Rp. 64,538,000 million. With a GRDP regression coefficient of 0.015, each unit increase in GRDP will result in an increase in purchasing power of Rp. 15 billion. Similarly, in the regression equation, a negative Inflation coefficient (-0.748) indicates that the higher the inflation, the purchasing power decreases by 74.8% in a month. The table also shows that the constant value for Minimum Wage is 13.914, indicating that an increase in the Minimum Wage will increase purchasing power by Rp. 13,914,000 million.

Discussion

A. Gross Regional Domestic Product (GRDP) Against Purchasing Power (H1)

With a coefficient of 0.015 and a significance of 0.000 < 0.05, the regression test results show that GRDP has a positive and significant impact on purchasing power. This can be seen as the higher the GRDP of a region, the higher the community's income, economic activity, and purchasing power tend to be. Theoretically, GRDP represents the total value of goods and services output in a region over a certain period. When GRDP increases, it can be assumed that economic activity rises, community income increases, and purchasing power also goes up.

These results are in line with Keynesian theory, which states that national income is the main factor influencing public consumption. This study is consistent with the findings of research by Damanik (2021), which showed that GRDP has a significant positive effect on the purchasing power of the people in Sumatera Utara Province.[16] Similarly, (Lubis 2020) found that the increase in GRDP in Deli Serdang Regency significantly boosts household consumption as an indicator of purchasing power.[17]

B. Inflation on Purchasing Power (H2)

This study shows that inflation has a negative and significant effect on purchasing power, with a coefficient of -0.748 and a significance of 0.025. This indicates that people's purchasing power decreases when inflation rises. This is because inflation generally follows a continuous increase in prices. With high inflation, the prices of necessities rise, so fixed incomes reduce the amount of goods and services that people can buy. As a result, people's purchasing power decreases.

The results support previous research (Sihombing 2019) which found that inflation has a significant negative impact on the purchasing power of people in Medan City.[18] Other research (Wulandari 2020) also found that inflation that is not properly controlled can erode purchasing power, especially among fixed-income groups.[19]

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[16] R Damanik, "Pengaruh PDRB Terhadap Daya Beli Di Sumatera Utara," *Jurnal Ekonomi Regional*, 2021, 45–56.

[17] A. d. Lubis, "Analisis Faktor-Faktor Ekonomi Makro Terhadap Daya Beli Konsumen Di Deli Serdang," *Jurnal Ekonomi Dan Pembangunan*, 2020, 101–10.

[18] T Sihombing, "Dampak Inflasi Terhadap Konsumsi Masyarakat Kota Medan," *Jurnal Ilmiah Ekonomi*, 2019, 32–40.

[19] F Wulandari, "Analisis Inflasi Dan Dampaknya Terhadap Daya Beli Masyarakat," *Jurnal Kebijakan Ekonomi*, 2020, 17–24.

C. Regional Minimum Wage (UMR) and Purchasing Power (H3)

With a coefficient of 13.914 and a sig. value of 0.000 < 0.05, the minimum wage variable shows a positive and significant effect on purchasing power. This means that an increase in the minimum wage can improve the purchasing power of the public. The minimum wage is a government policy to set a minimum wage standard to meet a decent living. When the minimum wage rises, people's income increases, thus their ability to purchase goods and services also increases. According to research (Saragih 2022), the minimum wage has a positive impact on the purchasing power of workers in the industrial areas of Medan.[20] Similarly, a study (Putri, 2018) in West Java Province stated that the increase in the minimum wage has a direct effect on the rise in household consumption.[21]

D. The Relationship of the Three Variables with Purchasing Power (H4)

The calculated F value is 41.831, and the significance of 0.000 < 0.05 is produced by the F test. This proves that GRDP, Inflation, and the Minimum Wage together have a significant effect on people's purchasing power. These three independent variables can account for 69.1% of the variation in purchasing power, according to the coefficient of determination (R Square) of 0.691. The remaining 30.9% is due to other factors such as unemployment rate, fiscal policy, prices of basic goods, and other socio-economic factors. This model reflects a complex macroeconomic relationship, yet it remains valid and strong to be used to explain the main factors of purchasing power indicators.

CONCLUSION

Based on the research results, the regression model is deemed statistically valid as it meets all classical assumptions, and shows that Gross Regional Domestic Product and Regional Minimum Wage have a positive and significant effect on purchasing power, while inflation has a negative and significant effect. Simultaneously, these three variables have a strong influence with a model explanatory power of 69.1 percent, thereby confirming the importance of regional economic growth, wage policy, and inflation control in improving community welfare. The implications of these findings indicate that local governments need to encourage the increase of GRDP, set minimum wages proportionally, and maintain inflation stability as an effort to preserve and enhance purchasing power. However, this study still has limitations because it only uses three variables and a limited sample size, so it does not fully represent all determinants of purchasing power. Therefore, future research is recommended to add other economic variables and expand the data scope so that the results obtained are more comprehensive and accurate.

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[20]R d. Saragih, "UMR Dan Daya Beli Buruh Industri Di Medan," *Jurnal Ekonomi Ketenagakerjaan*, 2022.

[21]A D Putri, "Upah Minimum Dan Konsumsi Rumah Tangga Di Provinsi Jawa Barat," *Jurnal Ekonomi Mikro Makro*, 2018, 88–95.

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