Indonesian Journal of Banking and Financial Technology (FINTECH)
Vol. 2, No. 4, 2024 : 263 - 280

Analysis of the Influence of Direct Investment and Labor on Economic Growth in Indonesia

Meri Epriyanti[1*], Sunoto[2]
Economic Development, University of Bengkulu
Corresponding Author: Meri Epriyanti meriepriyanti74@gmail.com

A R T I C L E I N F O

Keywords: Direct Invesment, Labor, Economic Growth

Received : 02 September
Revised : 27 September
Accepted: 30 October

A B S T R A C T

This study aims to analyze the effect of investment and labor on economic growth in Indonesia. One of the factors that affects economic growth is foreign direct investment (FDI). In addition to FDI, labor also plays an important role in economic growth. This study uses secondary data in the form of a thirteen-year time series from 2010-2023, namely with direct investment variables (X1) and Labor (X2). The analysis method used is quantitative, using Multiple Linear Analysis Techniques with the help of the E-Views 9 program. The results of this study indicate that direct investment and labor variables have a significant positive impact on economic growth in Indonesia.

DOI: https://doi.org/10.55927/fintech.v2i4.11939
E-ISSN : 2985-5551
https://journal.formosapublisher.org/index.php/fintech

INTRODUCTION

Economic growth is the main indicator used to measure a country's economic performance. In Indonesia, economic growth is the main focus of government policies in an effort to improve people's welfare. However, in recent years, Indonesia's economic growth has experienced significant fluctuations. Based on data from the Central Statistics Agency (BPS), Indonesia's economic growth in the 2010-2023 period shows quite wide variations. In the fourth quarter of 2010, Indonesia's economic growth was 6.1%, but declined to 5.04% in the fourth quarter of 2019, and further experienced a drastic decline of -2.07% in the fourth quarter of 2020 due to the COVID-19 pandemic, before recovering to 5.05% in the fourth quarter of 2023.

One of the factors that is considered to affect economic growth is Foreign Direct Investment (FDI). FDI is a form of investment in which foreign investors invest in other countries with the aim of gaining managerial control and significant influence in company operations. In Indonesia, FDI is one of the important sources for capital increase, technology transfer, and job creation. Based on data from the Investment Coordinating Board (BKPM), the realization of FDI in Indonesia in the 2010-2023 period shows an increasing trend with several fluctuations. In the fourth quarter of 2010, FDI realization reached 36.9 trillion rupiah, and continued to increase until it peaked in the third quarter of 2023 at 196.2 trillion rupiah, before falling slightly to 184.4 trillion rupiah in the fourth quarter of 2023.

However, this increase in FDI is not always in line with the expected economic growth. Despite the increase in FDI realization, Indonesia's economic growth has not shown a consistent increase. This phenomenon raises questions about the effectiveness of FDI in encouraging economic growth. According to a World Bank report (2021), one of the factors affecting the effectiveness of FDI is the business environment and regulations in the host country. Indonesia still faces several challenges in terms of regulations and bureaucracy that can hinder foreign investment.

In addition to FDI, labor also plays an important role in economic growth. Labor as the main factor of production has a significant contribution in determining a country's economic output. Based on data from BPS, the number of workers in Indonesia in the 2010-2023 period has increased. In 2010, the number of working workers reached 108 million people, and it will increase to 139 million people in 2023. However, this increase in the number of workers is also accompanied by a relatively high unemployment rate. In 2010, the unemployment rate was at 6.6% and decreased slightly to reach 5.3% in 2019, before increasing again to 6.5% in 2023 due to the impact of the COVID-19 pandemic. The COVID-19 pandemic that has hit the world since early 2020 has had a significant impact on the global economy, including Indonesia. This pandemic has caused severe economic contraction in many countries, including Indonesia. The decline in economic activity, business closures, and strict social restrictions have a direct impact on declining economic growth and increasing unemployment. According to the IMF report (2021), the global economic

recovery will largely depend on the success of the vaccination program and economic stimulus policies implemented by the governments of each country.
In Indonesia, the government has implemented various policies to respond to the impact of the pandemic, including the national economic recovery program (PEN) which includes fiscal stimulus, social assistance, and support for the micro, small, and medium enterprises (MSMEs) sector. In addition, the government is also trying to increase investment attractiveness by simplifying regulations through the Omnibus Law and improving the business climate. However, the effectiveness of these policies still needs to be further evaluated to ensure that they can support sustainable economic recovery and growth.

Another phenomenon that is relevant to economic growth in Indonesia is the change in the economic structure. In recent years, the services sector has become a major contributor to GDP, replacing the agricultural sector that previously dominated. The service sector includes various sub-sectors such as trade, transportation, communication, and tourism. Based on BPS data, the contribution of the service sector to Indonesia's GDP increased from 46% in 2010 to 54% in 2023. This change reflects Indonesia's economic transformation towards a service-based economy, which requires new strategies to support growth and development.

In the global context, the competition to attract FDI is getting tighter with the emergence of other developing countries that offer more attractive incentives for foreign investors. Indonesia needs to strengthen its competitiveness by improving infrastructure, simplifying regulations, and improving the quality of human resources. According to the World Economic Forum report (2021), Indonesia is ranked 50th in the Global Competitiveness Index, showing that there is still a lot of room for improvement in global competitiveness.

According to the World Economic Forum report (2021), Indonesia is ranked 50th in the Global Competitiveness Index, showing that there is still a lot of room for improvement in global competitiveness. However, other studies have shown different results. For example, a study by Prasaja (2016) shows that despite an increase in the amount of foreign direct investment (FDI), the impact on Indonesia's economic growth is not always significant and sometimes inconsistent with expectations. In addition, research by Candra (2019) found that an increase in the number of workers is not always accompanied by a sufficient increase in productivity to drive significant economic growth. Looking at the above developments, it is important to examine more deeply the influence of FDI and labor on Indonesia's economic growth.

Looking at the explanation above, it is important to examine more deeply the influence of FDI and labor on Indonesia's economic growth.

LITERATURE REVIEW

Production Theory

Production theory is a basic concept in economics that explains how production inputs are converted into outputs. In the context of macroeconomics, production theory is used to understand the relationship between production factors such as labor (L) and capital (K) to the output level of an economy. One of the most frequently used forms of the production function in economic

analysis is the Cobb-Douglas production function. The Cobb-Douglas production function was introduced by Charles W. Cobb and Paul H. Douglas in 1928. This function describes the relationship between total output (Y) and inputs in the form of capital (K) and labor (L), as well as the total productivity factor (A). This function reflects how changes in production inputs affect the overall output.

In the context of this study, the Cobb-Douglas production function will be used to analyze the influence of foreign direct investment (FDI) and labor on economic growth in Indonesia. Foreign direct investment is often considered one of the main sources of capital in the production function. An increase in FDI can increase the capital available in the economy, thereby encouraging economic growth. On the other hand, labor is an important factor of production in the production function. An increase in the number of workers or an increase in labor productivity can increase output and encourage economic growth. Research conducted by Solow (1956) using the neoclassical economic growth model, which is a development of the Cobb-Douglas production function, shows how capital accumulation and labor growth affect long-term economic growth.

Economic Growth

According to Todaro and Smith, economic growth is a process that continuously or permanently increases the productive capacity of the economy, in order to create an increasing level of productivity. of money and national production. An important aspect of economic growth for any country is (1) capital accumulation, including all new investments in land, physical and human resources through improvements in health, education and professional skills, (2) an increase in the final population. leading to progress in employment.

The theory of economic growth explains the factors that determine economic growth and how these factors are combined for the growth process to occur. There are many theories about economic growth, but none of them is exhaustive and cannot be a standard principle, because each theory has its own explanation based on the study. In this study, we will explain the concept of economic growth that is considered sufficient to explain the source of economic growth, namely the Solow-Swan theory. Robert Solow (Massachusetts Institute of Technology) and Trevor Swan (Australian National University) invented this growth concept.

According to this theory, economic progress depends on the increase in productivity (population, employment and total income) and the level of technological progress. This theory is based on classical analysis that the economy will continue to achieve full employment and the carrying capacity will remain efficient throughout.

Economic growth is one of the indicators of a country's economic success. Economic growth is the development of jobs in the economy that results in an increase in goods and services produced in the country. Sadono (2001:415) Economic growth describes or measures the results of economic development. In real economic activity, economic growth means the development of financial resources that occurs in a country. Economic growth, if not in line with population growth, while high, will cause the number of unemployed to

increase. Economic growth is only affected by large amounts of capital, labor and technology. In other words, economic growth is an increase in the economy from time to time that affects the amount of capital, labor and technology.

Okun's law states that there is a relationship between economic growth and unemployment, where every 2% increase in real GDP results in a 1% decrease in the unemployment rate. The demand for work will increase and lead to unemployment when local production increases, which is in line with economic growth. On the other hand, unemployment will increase when real GDP decreases, leading to a decrease in production, thus forcing producers to reduce their production and reduce their input, which in turn this is work. According to Labor Law No. 13 of 2003, workers are anyone who can work to produce goods and services, both to meet their own needs and for the community. There are two categories of workers, which are as follows:

a. The Labor is those who work, do not work and are looking for work. Where the labor force is the population that enters the working age, namely the age of 15 years – 64 years, both those who do not work and those who are looking for work. However, not all labor force is included in the labor force, in this case such as students, students and housewives. So it can be interpreted that the population that is included in the labor force is those who play an active role, including their energy in production activities, in addition to people who are unemployed, looking for work, and people who are ready to work at any time are also included in the labor force.
b. The labor force that is those who go to school, those who take care of the household, or other groups. Those who go to school are those who are in school. The household management group is those who only take care of the household without receiving wages, while the other group is included in the group of opinion recipients and people who depend on others. Groups that are included in the non-labor force group in some conditions can offer their services to work, so this group is called the Potential Labour Force (PLF).

Therefore, from this explanation, it can be seen that the labor force is divided into two, namely the labor force and the non-labor force, where the labor force consists of people who work and people who are looking for work, which in this case can be said to be unemployed.

Investment plays an important role in improving the economic life of a country, because investment increases the productive capacity, makes the country's money to produce and create new jobs, which job opportunities are being expanded. According to Sukirno (2008:122), investment can also be defined as spending or spending by entrepreneurs or commercial companies to purchase property and equipment to increase the production capacity of goods and services. and economic growth.

Labor

The population is those who have lived in the area for at least 6 months or less than 6 months but intend to settle down (BPS, 2012). Research related to population and factors that affect the rate of change is called demography. Economic analysis has described demographic issues, particularly efforts to focus on motivation and incentives to change individual behavior. Economists believe that demographics that emphasize the economic roots of human behavior have provided satisfactory answers compared to other theoretical frameworks. They may reject a purely mechanistic demographic model that simply looks for regularity in human behavior without examining the motivations behind that behavior. Demographic change is the transition from a stable population with high birth and death rates to a population with low birth and death rates (in Prasaja, 2016).

(Smith, 2019) The number of population is the prevailing wage level higher than the subsistence wage rate, which is the wage level that can only meet the needs of living. If the wage level is higher than the subsistence wage level, then many people carry out relatively young marriages so that the number of births increases and finally the number of people increases.

The classical theory put forward by economists such as Adam Smith and David Ricardo states that labor is the main factor of production along with land and capital. Labor is considered an important input in the production process, where labor productivity has a direct effect on economic output. Adam Smith in his book "The Wealth of Nations" (1776) emphasized the importance of division of labor and specialization to increase labor productivity, because workers can become more skilled and quick in performing specific tasks. The division of labor also encourages innovation and technological improvement, which ultimately increases production and economic well-being.

Investment

Investment is a term from the financial and economic fields. This term refers to the accumulation of a specific type of asset to generate profits in the future. Before investing became popular, many people set aside their money just to save, but over time people began to abandon the old habit and replace it with buying stocks, bonds, gold and mutual funds that offered promising returns. Future Before an investor invests in an investment vehicle, he must know and experience everything related to the investment (Siti, 2021).

According to experts, the factors that affect investment are investment motivation and investment knowledge, the factors that affect investment are investment profits, besides that the factor that affects investment is the minimum capital. Investment and Investment Motivation This was also expressed by Riyadi (in Siti, 2021). that the factors that affect investment are investment benefits, minimum investment capital and investment motivation. Then what affects investment interest in the capital market is investment performance and the formation of the capital market.

Foreign Direct Investment (FDI) is a long-term investment by a foreign company in the host country with the aim of gaining managerial control and significant influence in the company's operations (Dunning, 1993). FDI plays an important

role in technology transfer, improved production efficiency, and job creation (Borensztein, De Gregorio, & Lee, 1998).

Types and Design of Research

This type of research is explanatory research. Explanatory research is a type of research that seeks to explainwhy and how relationships occur in a given situation. Explanatory research is research that aims to analyze the relationship between one variable and another variable or how one variable affects another variable (Umar, 1999:36). The approach used in this study is a quantitative methodology approach that uses secondary data taken quarterly from 2010-2023.

Variable Measurement and Operational Definition

The variables in this study consist of one dependent variable and two independent variables. Dependent variables are variables of economic growth. While the independent variables are Foreign Direct Investment and labor. Therefore, the variables used are as follows:

Dependent Variables

This study uses data on Indonesia's Economic Growth Rate in percent units taken in the quarter from 2010-2023. The data of this study was taken from the official website of the Indonesian Central Statistics Agency.

Independent Variables

Independent variables are variables whose values affect other variables. The independent variables of this study are:

1. Foreign Direct Investment
   This study uses data on foreign investment achievements made in quarters from 2010 to 2023 in trillions of rupees. The data for this study was taken from the official website of the Ministry of Investment/BKPM.
2. Labor
   The data in this study uses data on the number of workers in Indonesia, collected every quarter from 2010 to 2023, in millions of people type. Sources and methods of data collection

The type of data of this study uses secondary data obtained from the publication of the central bureau of statistics. Data for this study was collected over the 15-year period 2010-2023. The data used was obtained from several sources, namely Bank Indonesia, Financial Services Authority, and Central Statistics Agency (BPS). A desk study is a data collection method used to identify historical data. Literature about events or human situations is very useful for quantitative research (Yusuf, 2014). A case study is a method of collecting data from records, documents, and related datasets.

The research method of this study uses the multiple linear regression method which is a regression method that is used to analyze the relationship between the dependent variables and the independent variables. To analyze the relationship between variables, data processing could be done using the E-Views 9 program. That can be written in the following way:

PE = f(FDI, TK)
PE = α + β1FDI + β2TK + e
Information:
PE : Economic Growth
FDI : Foreign Direct Investment
TK : Labor
α : Constant
β : Regression Coefficient
e : error

To determine the level of significance of each regression coefficient independent (independent variable) to the dependent variable (bound variable), then a statistical test is carried out.

1. Individual Parameter Significance Test (Statistical t Test)
   This test was carried out to analyze the influence of independent variables on dependent variables individually. The t-test is used to make a decision on whether or not a study is proven.
2. Simultaneous Significance Test (Statistical F Test)
   The statistical F test was carried out to determine the significant influence of independent variables on dependent variable. If F calculates < Ft, then H0 is accepted or the independent variables together have no effect on the dependent variable (not significant) which means that the change that occurs in the bound variable cannot be explained by the change of the independent variable.
3. Coefficient of Determination (R2)
   The determination coefficient refers to the ability of the independent variable (X) to explain the dependent variable (Y) to calculate how much variation of the variable can be explained by the variation of the independent variables. There is no definite measure for the magnitude of R2 that says that a choice of variables is appropriate. If the R2 gets bigger or closer to 1, then the model can be said to be appropriate.
4. Classical Assumption Test
   a. Normality Test
      Normality testing is carried out to find out whether the data is normal or not. If the significance result > 0.05, it can be concluded that the data used is normally distributed, and vice versa if the significance < 0.05, then it is said that the data used is not normally distributed.
   b. Multi Collinearity Test
      One of the commonly used ways to detect the presence of symptoms of multicollinearity is to look at the tolerant value and variance inflation factor (VIF). The value commonly used to see the presence of multicollinearity symptoms is a tolerance value of < 0.10 or equal to the VIF value < 10.
   c. Heteroscedasticity Test
      The Heteroscedasticity test aims to test whether in the regression model there is a variance disparity from the residual of one observation to

another. If the calculated chi-square value is greater than the critical X2 value with a certain degree of confidence (a) then there is heteroscedasticity and vice versa if the calculated chi-square is less than the critical X2 value indicates the absence of heteroscedasticity.

To determine the accuracy of the calculation and reduce the human error, this study uses Software eViews to process data using a significance level of 95% or a confidence level α = 0.

RESEARCH RESULT AND DISCUSSION

Research Results

The results of the research consist of several parts that will explain the data that has been processed to support the research. Some of the parts that will be discussed are data descriptions, the results of multiple linear regression with E-Views 9 and a discussion on the influence of independent variables on dependent variables, namely Foreign Direct Investment, and Labor on Indonesia's Economic Growth.

Data Description

The data used in this study is secondary data obtained from several sources, namely the Central Statistics Agency (BPS), Bank Indonesia and the Ministry of Investment/BKPM. The data of all variables to be studied starts from the first quarter of 2010 to the fourth quarter of 2023 with the number of data (n) is 56 periods.

Indonesia's Economic Growth

The Economic Growth used in this study is data from the first quarter of 2010 to the fourth quarter of 2023 in percent units obtained website official of the Central Statistics Agency (BPS).

Figure 1. Indonesia's Economic Growth in 2010-2023
Source: Statistics Agency (BPS)

Figure 1 shows Indonesia's economic growth rate in the form of a percentage. Initially, economic growth was quite stable at around 5-6% until

there was a sharp decline in 2020, where economic growth fell to a negative figure (around -2.5%). This decline is most likely due to the impact of the COVID-19 pandemic. After the decline, economic growth began to recover in 2021, again approaching the 5% level, and appears to be stable until 2023.

Foreign Direct Investment

The Foreign Direct Investment used in this study is data on the number of Indonesian investors taken from the first quarter of 2010 to the fourth quarter of 2023. Data obtained from website official Ministry of Investment/BKPM.

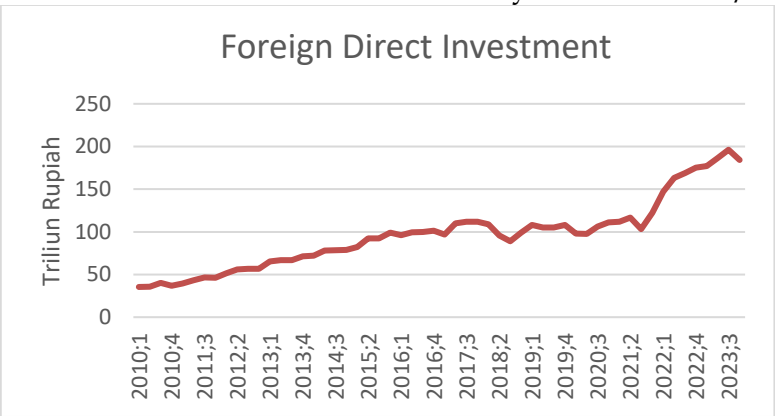

Figure 2. Foreign Direct Investment 2010-2023
Source: Ministry of Investment/BKPM

Figure 2 above shows the trend of Indonesian foreign direct investment in trillions of Rupiah. Overall, there is a significant upward trend in FDI from 2010 to 2023, with some minor fluctuations in the middle of the period. This increase shows the increasing confidence of foreign investors in the Indonesian economy, which can be an important driver for economic growth.

Labor

In this study, investment uses data on Indonesia's working labor taken from the 1st quarter of 2010 to the fourth quarter of 2023. Indonesian Labor Data is obtained from website official of the Central Statistics Agency (BPS).

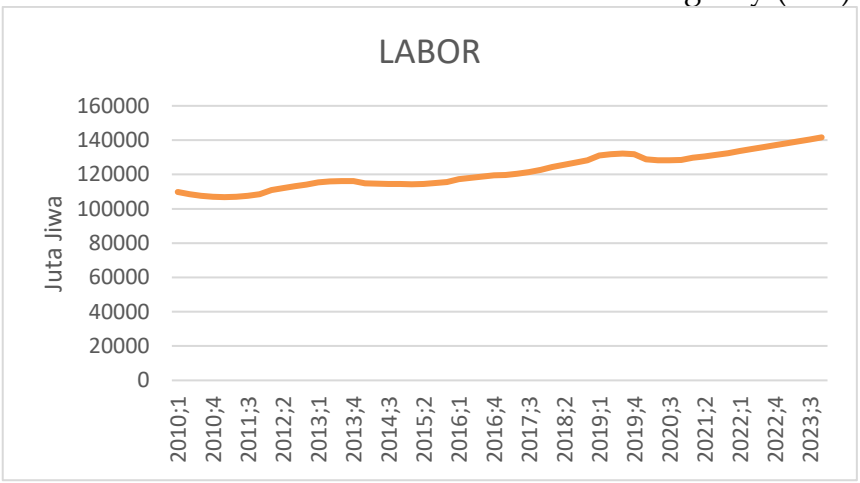

Figure 3. Labor in 2010-2023
Source: Central Statistics Agency (BPS).

This curve depicts the number of workers in millions of people. This trend shows a steady increase in the number of people in the labor from about 110 million people in 2010 to about 150 million people in 2023. This consistent increase in the number of workers can be one of the factors that support economic growth.

Descriptive Statistics

Descriptive statistics aims to present research data information in general in the form of mean or mean value, median or middle value, maximum value, minimum value and standard deviation of each variable used in the study which can be seen in table 1 below:

Table 1. Descriptive Statistics of Research

	PE	FDI	TK
Mean	4,69872727	97,5090909	122044,823
Median	5,06	98	119629,188
Maximum	6,48	196,2	141627,719
Minimum	-2,07	35,6	106792,344
Std. Dev.	1,89987627	40,1801696	10021,445
Observation	56	56	56

Source: Results of Data Processing with Eviews 9, 2024

Economic Growth in this dataset has an average of 4.6987, with a median value of 5.06. This suggests that most economic growth data hovers around those figures, with some values being quite extreme. A minimum value of -2.07 indicates that there is a period in which the economy is contracting, while a maximum value of 6.48 indicates a period of strong growth. A standard deviation of 1.8999 indicates that fluctuations in the value of economic growth are relatively moderate, with most values being fairly close to the average.

FDI in this dataset shows an average of 97.51, with a median of 98, which means that half of the FDI values are below 98 and the other half are above it. A very high maximum value of 196.2 and a minimum value of 35.6 indicate a significant variation in foreign direct investment flows. A standard deviation of 40.18 further indicates that there is a wide spread in FDI data, reflecting a high degree of variability in foreign direct investment in the region or period under analysis.

The Labor Force (TK) data has an average of 122044.823 and a median of 119629.188. This value shows that the average labor in this dataset is around 122,000. Nonetheless, there is considerable variation in the number of workers, with a maximum value of 141627,719 and a minimum of 106792,344. A standard deviation of 10021.445 indicates a significant spread in labor data, which may reflect large differences in economic size or capacity across different regions or sectors.

Overall, these three variables reflect complex economic dynamics, where economic growth, foreign direct investment, and labor are interrelated and show varying degrees of variation.

Results of Analysis and Hypothesis Testing

Results of the Classic Assumption Test

The classical assumption test is a test applied to independent variables and bound variables using regression analysis. The purpose of the classical assumption test is to determine the feasibility of using a regression model in a study (Gujarati 2010). In this study, the classical assumption tests carried out are normality tests, multicollinearity tests and heteroscedasticity tests.

The variables used in this study consist of three independent variables, namely foreign direct investment and labor with the dependent variable used being Indonesia's Economic Growth. The results of this classical assumption test are used so that the regression model used produces an accurate analysis and is BLUE (Best Linear Unbiased Estimated), or does not experience habits in the regression model.

1. Normality Test

The normality test aims to test whether the regression model of dependent variables and independent variables is normally distributed or not. A good model is one that has a normal distribution of data. To test the normality in this study, the Jarque-Bera test is used, which is a statistical test to find out whether the data is normally distributed or not. Detection by looking at Jarque-Bera which is asymtosis (large sample and based on Ordinary Least Square residue) (Gujarati, 2010). The decision-making criterion is that if the probability of Jarque-Bera > 0.05, then the data can be said to be normally distributed.

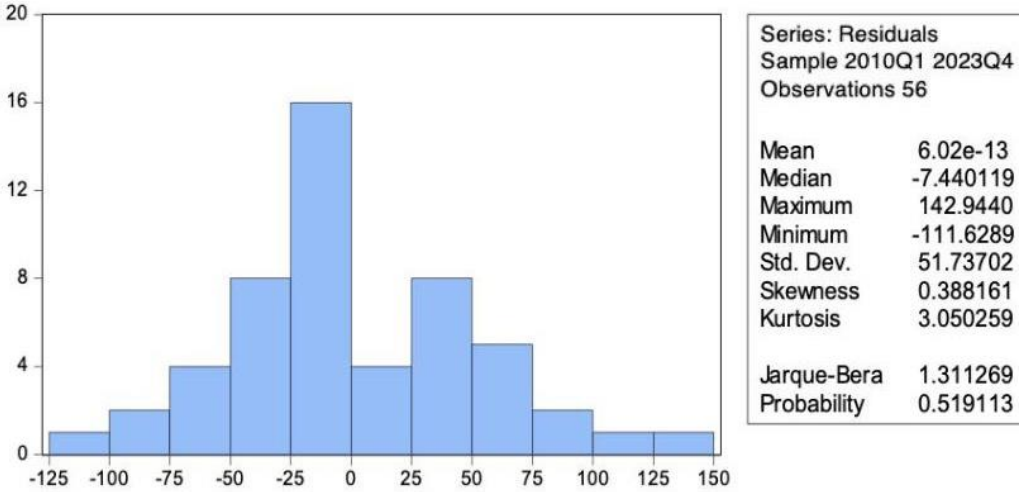

Figure 4. Normallity Test Results – Jalrque-Beral
Source: Daltal Processing Results with E-views 9, (2024)

Based on figure 4, the probability value of Jarque-Bera is 0.5291 which means > 0.05 so it can be concluded that the data used in this study has been distributed normally.

2. Multicollinearity Test

The Multicollinearity Test is used to look at the linear relationships that occur between independent variables in a regression model. Testing for multicollinearity symptoms can be done by calculating the Variance Inflation Factor (VIF) from the results of previous estimates. If the VIF < 10, then there is no multicollinearity among the independent variables (Ghozali, 2016).

Table 2. Multicollinearity Test Results

Variable	Variance Coefficient	Non-Centralized VIF	Centralized VIF
FDI	0.000193	39.93837	5.942583
TK	3.16E-09	8922.5023	5.942583
C	31.98070	604.9008	NAL

Source: Data Processing Results with Eviews 9, (2024)

Based on Table 2, it can be seen that each independent variable has a centralized VIF value of less than 10, so it can be concluded that the data used is free from the problem of multicollinearity.

3. Heterokedasticity Test

The Heterokedasticity test is one of the deviations from the assumption of variance similarity (homokedasticity), namely the error variance with the same value as a fixed combination of X 1, X2, X3,,,Xp. So, with heterokedasticity, the OLS estimator does not produce an estimator that is Best Linear Unbiased Estimated (BLUE), only Linear Unbiased Estimated (LUE) (Widarjono, 2013).
In heterokedasticity testing, there are several methods such as Breusch-Pagan-Godfrey, Harvey, Glejser, ALRCH, White and others that can be used to see whether or not heterokedasticity exists. In this study, the method used is the Breusch-Pagan-Godfrey method. The results obtained are as follows:

Table 4. Heteroscedasticity Test Results – Breusch-Pagan-Godfrey

Composition	Value
F-Statistics	3.737570
Prob. F (2.53)	0.3030
Prob. Chi-Square (2)	0.3014
Prob. Chi-Square (2)	0.3103

Source: Data Processing Results with Eviews 9, (2024)

Based on the results of this heteroscedasticity test, a probability value of 0.3030 was obtained where this value is greater than 0.05, so it can be concluded that the data in this study is free from heteroscedasticity problems.

Hypothesis Test Results

The Hypothesis Test in this study includes the Simultaneous Significance Test (Test F), the Partial Significance Test (Test T) and the Coefficient of

Determination Test (R2). Based on the data processing that has been carried out using the E-Views 9 program, the results of multiple linear regression estimation are obtained which can be seen in Table 5.

Table 5. Multiple Regression Processing Results

Valriable	Coefficient	Std. Error	t-Statistics	Probability
FDI	0.012231	0.006154	5.987323	0.0251
TK	0.007063	1.168466	3.604532	0.0481
C	10.00369	6.755388	1.4808447	0.0146
R-squared	0.808980	F-stats		7.332488
Adjusted R-squared	0.743215	Prob(F-stalts)		0.000000

Source: Data Processing Results with Eviews 9, (2024)

1. (Test F)

The Statistical Test F is basically carried out to show whether all independent variables together have an influence on the dependent variable. The hypothesis to be tested is that there is at least one independent variable that affects the dependent variable according to the zero-hypothesis statement (Hal). The decision to accept or reject Hal is based in the probability of > α means rejecting Hal and vice versal if the probability of < α means that Hal is accepted. The results of the statistical F test in this researcher can be seen in table 4.

Based on the results of the calculations that halve been carried out, the F value of the calculation is obtained as 7.33248. This value when compared to the F-table 0.05, (k-1=1, n-k=55) is 2.79806 or F-count > F-table which means that H0 is rejected. It can be concluded that in this regression equation, the free variables (foreign direct investment and labor) together have an influence that explains the variation in movement in the bound variable (Economic Growth).

2. Partial Significance test (t-Test)

To find out whether there is an influence between the dependent variable and the independent variable, it is necessary to test the partial regression coefficient hypothesis individually by performing the T test If the probability value < 0.05, then it can be concluded that the independent variable has a significant relationship with the dependent variable. Meanwhile, if the probability > 0.05, then it can be said that there is no significant relationship between the independent variable and the dependent variable.

Based on table 4, it can be explained how the relationship between the independent variables, namely Foreign Direct Investment (X1) and Labor (X2) to the bound variable Economic Growth (Y). The explanation of the partial significance test or t-test of each independent variable is as follows:

a. Variable of Foreign Direct Investment

Based on the results of the estimation, the t-statistical value for the population variable is 5.987323. When compared with the value of t-table, it can be seen that the t-value of the foreign direct investment variable is greater than the t-table value with the provision df (α, n-k) 0.05; 55 = 2.0106, then the foreign

investment variable directly affects the Indonesian economic growth variable significantly at a confidence level of 95%.

b. Labor Variable

From the results of the model estimation, the t-calculated value for the investment variable will be obtained of 3.604532 where when compared to the t-table value, the t-calculated value is greater than the t-table with the provision df (α, n-k) 0.05; 55 = 2.0106, then the labor variable significantly affects the Indonesian economic growth variable at a confidence level of 95%.

3. Determination Coefficient Test (R2)

The coefficient of determination (R2) aims to find out how strong the variation of the independent variable can explain the variation of the dependent variable well. In this study, the determination coefficient (R2) test was used to see how far the foreign direct investment and labor variables were able to explain Indonesia's economic growth variables.

From the results of regression carried out on economic growth, it was found that R2 as al determination coefficient was 0.8089. This value shows that the independent variables in this equation, namely foreign direct investment and labor together, can explain 80% of the variation in Indonesia's economic growth, while the remaining 20% is explained by other factors outside the model.

Discussion

From the data processing that has been carried out using the multiple linear regression analysis method in E-Views 9, the following regression equation has been obtained:

PE = 10.00369 + 0.012231FDI + 0.007063TK

Analysis of the regression coefficient value can be concluded that:

1. The result of the variable regression coefficient of foreign direct investment is 0.012 which shows that if there is an increase in foreign direct investment of 1 trillion rupiah, it will increase economic growth by 0,012%.
2. The influence of labor variables on Indonesia's economic growth can be seen from the results of the regression coefficient of 0.007063 which can be interpreted that if there is an increase in the labor of 1 million people, it will increase economic growth by 0.007%.

The Influence of Foreign Direct Investment on Indonesia's Economic Growth

Based on the results of statistical testing, it shows that the regression coefficient value for the Foreign Direct Investment (X1) variable is 0.012. This shows that the magnitude of the Foreign Direct Investment variable has al significant effect on the economic growth variable in Indonesia. In addition, the foreign direct investment variable is a positive sign for economic growth in Indonesia, which means that if there is an increase in Foreign Direct Investment of 1 trillion rupiah, it will increase Indonesia's economic growth by 0,012%.

In the foreign investment variable, a probability value of 0.0251 is obtained. This states that the probability value of the Foreign Direct Investment variable is less than the significance level (0.0251 < 0.05) so that Ho is rejected and Hal is accepted. This means that the results show that the Foreign Direct

Investment variable has al positive and significant effect on economic growth in Indonesia.

The results of this study are in accordance with the economic growth theory put forward by Todaro and Smith who said that there are 3 components of economic growth for al country, one of which is the accumulation of capital or investment which will ultimately lead to the growth of economic activities and production.

The Influence of Labor on Economic Growth

Based on the results of the statistical test, it shows that the regression coefficient value for the labor variable (X2) is 0.007063. This shows that the magnitude of the investment variable has a significant influence on the economic growth variable in Indonesia. In addition, the labor variable is a positive sign of the value of Economic Growth in Indonesia, which shows that if there is an increase in the labor of 1 million people, it will increase Indonesia's economic growth by 0.007%.

In the labor variable, a probability value of 0.0481 was obtained, where this stated that the probability value was less than the significance level (0.0481 < 0.05) so that Ho was rejected and Hal was accepted. This means that these results show that the labor variable has al positive and significant effect on Economic Growth in Indonesia.

The results of this study are in line with the theory put forward by the economic growth theory of Todaro and Smith who said that one of the components of economic growth is the accumulation of calpital which includes human resources or labor which will ultimately lead to the growth of the labor force and economic and production

CONCLUSIONS AND RECOMMENDATIONS

Based on the results of data analysis and discussion that has been carried out in the previous chapter, the conclusions that can be drawn in this study show that the foreign direct investment and labor variables halve al positive relationship and halve al significant effect on economic growth in Indonesia in 2010-2023.

Based on the results of the research and the conclusions that have been obtained, the suggestions that can be given are as follows:

1. The results of the study show that the variables of foreign direct investment and labor halve al significant effect on Economic Growth in Indonesia in 2010-2023. As the authority, the government is expected to improve the quality of human resources in order to increase economic growth. In addition, the government is also expected to maintain the confidence of foreign investors so that they can continue to contribute to the capital of the production process in Indonesia so that the economy continues to grow.

2. In the next study, it is hoped that more supporting variables can be used to find out the factors that affect Indonesia's economic growth and can extend the time and increase the amount of data from each variable for further research results.

ADVANCED RESEARCH

In writing this article the researcher realizes that there are still many shortcomings in terms of language, writing, and form of presentation considering the limited knowledge and abilities of the researchers themselves. Therefore, for the perfection of the article, the researcher expects constructive criticism and suggestions from various parties.

REFERENCES

Candra, B. (2019). The Influence of Labor on Economic Growth in Indonesia. Indonesian Economic Journal, 8(2), 123-145.

Hadi, I., & Utami, N. (2021). The Role of Foreign Investment in Economic Development: Evidence from Indonesia. International Journal of Economics and Financial Issues, 11(3), 32-45. https://doi.org/10.32479/ijefi.11310

Husna, S., & Pramudya, Y. (2020). Analyzing the Impact of Foreign Direct Investment on Economic Growth in Indonesia. Asian Economic Policy Review, 15(4), 55-68. https://doi.org/10.1111/alepr.12204

Kurniawan, S., & Azhari, M. (2022). Labor Force and Economic Growth: AL Panel Data Analysis of Indonesia. Economic Modelling, 103, 105569. https://doi.org/10.1016/j.econmod.2022.105569

Lestari, AL., & Pratama, E. (2020). Effects of Foreign Direct Investment and Labor Market on Indonesia's Economic Growth. Journal of Development Economics, 15(2), 78-89. https://doi.org/10.1016/j.jdeveco.2020.04.002

Marwan, H., & Sari, D. (2019). The Influence of Labor and Foreign Direct Investment on Economic Growth: A Case Study of Indonesia. Journal of Economic Development, 24(2), 145-159. https://doi.org/10.35848/2528-7524/24/2/3

Prasaja, AL. (2016). Analysis of the Impact of Foreign Direct Investment on Indonesia's Economic Growth. Journal of Economics and Development, 14(1), 45-58

Rizal, R., & Ayub, N. (2023). The Impact of Foreign Direct Investment on Economic Growth in Southeast Asia: Evidence from Indonesia. Journal of Asian Economics, 80, 102328. https://doi.org/10.1016/j.alsieco.2023.102328

Widodo, T., & Zalinal, AL. (2021). Foreign Direct Investment, Labor Productivity, and Economic Growth in Emerging Malrkets. Emerging Malrkets Finalnce alnd Tralde, 57(1), 214-228. https://doi.org/10.1080/1540496X.2020.1765662

Walhyuni, S., & Hermalwaln, J. (2019). The Interalction of Lalbor Force alnd Foreign Direct Investment on Economic Growth in Developing Countries. Globall Economics Review, 14(1), 112-126. https://doi.org/10.11648/j.ger.2019.04.01.16

World Economic Forum. (2021). The Globall Competitiveness Report 2021. Geneval: World Economic Forum.

Yulialnal, M., & Yalnto, M. (2018). Determinalnts of Economic Growth in Indonesial: AL Study on the Role of FDI alnd Lalbor. Economic Resealrch-Ekonomskal Istralživalnjal, 31(1), 317-330. https://doi.org/10.1080/1331677X.2018.1459084

Zalinuddin, AL., & Lestalri, F. (2018). The Impalct of Foreign Direct Investment alnd Lalbor on Economic Growth: Evidence from Indonesial. Internaltionall Journall of Economics alnd Finalnciall Issues, 8(2), 20-30. https://doi.org/10.32479/ijefi.6807