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Analysis of the Influence of Democracy Index, Human Development Index, Foreign Investment, Government Expenditure, and Labor On Indonesian Economic Growth

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ABSTRACT

Economic growth is one of the main indicators of the economic progress of a region or country. The economic performance of a country is determined by the economic policies implemented by the government, the environment in which the economy operates, and the political economic system it implements. Many non-economic factors ultimately affect the economic activities of a country. This study aims to determine whether the Indonesian Democracy Index, Human Development Index, Foreign Investment, Government Expenditure, and Labor partially affect Indonesia's economic growth. The analysis method used is multiple linear regression using Eviews10. The results of the study indicate that the Democracy Index and Human Development Index do not have a significant effect on Economic Growth. While Foreign Investment, Government Expenditure and Labor have a significant effect on Economic Growth.

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INTRODUCTION

Financial development is the principal sign of the advancement of a district or nation, estimated by Gross domestic product for the public scale and GRDP for the territorial scale. Government exercises, both straightforwardly and by implication, enormously influence monetary development (Muringani et al., 2021). The public authority completes present moment and long haul financial advancement to accomplish local area government assistance (Mursinto, 2019).

Financial development reflects local area government assistance; monetary development implies expanded government assistance, while financial decay reflects diminished government assistance. Boediono (1992) characterizes financial development as the most common way of expanding yield per capita in the long haul. Djojohadikusumo (1987) added that monetary development depends on expanding the creation of labor and products, while financial advancement remembers changes for the financial construction of society. Indonesia has encountered financial changes, remembering a lull for 2020 because of worldwide monetary elements and homegrown strategies. Deliarnov (2005) expressed that financial not entirely set in stone by government approaches, the monetary climate, and the political financial framework.

A majority rules system, estimated by the Indonesian Majority rules system Record (IDI) by BPS, is critical to evaluate the state of a majority rules system at the common level (Adib et al., 2020). Despite the fact that majority rules system is perceived as a significant calculate different parts of public life, research

connecting a majority rule government to financial development is as yet restricted. The Market analyst Knowledge Unit (EIU) characterizes nations in view of a majority rule government scores, yet the way in which the vote based system file adds to monetary development in Indonesia has not been concentrated on top to bottom (Paradipta, 2019; Adib et al., 2020).

The Human Advancement List (HDI) is utilized to quantify progress in human turn of events, however the immediate impact of the HDI on Indonesia's monetary development has not been made sense of in much detail. Firmansyah (2016) referenced the significance of human turn of events, yet its relationship to monetary markers, for example, Gross domestic product has not been broadly investigated. Unfamiliar Direct Venture (FDI) is perceived as significant for monetary development, yet Indonesia's reliance on unfamiliar capital its effect on financial soundness actually require further exploration (B. Purba, 2020). The nature of the labor force (L) is affected by training and wellbeing. Instruction builds efficiency and supports monetary development (Arsyad, 2010). Business issues in non-industrial nations require the production of sufficient tasks to assimilate new specialists (Y and EP., 2017).

With the portrayal over, the creator is keen on leading examination named "Investigation of the Impact of the Indonesian Majority rules system Record (IDI), Speculation, Government Use, and Work on Indonesia's Financial Development". The period 2011-2023 was picked for the review "Examination of the Impact of the Indonesian Majority rules system File (IDI), Human Improvement Record (HDI), Unfamiliar Direct Speculation (PMA), Government Consumption (GE), and Work (L) on Indonesia's Financial Development" since it covers a time of strategically and monetarily stable changes and different critical approaches gave by the public authority. Information from the Focal Measurements Organization (BPS) during this period is somewhat new, complete, and dependable, giving a precise image of current financial circumstances. This period likewise remembers upgrades for the HDI and foundation speculation, and covers total monetary cycles and emergencies like the Coronavirus pandemic, permitting a complete evaluation of the collaboration between the elements considered and significant occasions. The Indonesian Majority rules system File, which has been estimated all the more reliably since the mid 2010s, permits an assessment of the effect of democratization on monetary development.

THEORETICAL BASIC

A majority rule government and Financial Development Hypothesis Adam Przeworski features that vote based system gives more noteworthy political security than tyranny, which is fundamental for establishing a steady venture environment and empowering financial development. Albeit the change to a majority rules government can be unsure, nations that progress to a vote based system will quite often encounter higher monetary development. A majority rules system empowers monetary strategies that are receptive to the necessities of society, upholds long haul financial turn of events, and energizes government responsibility and compelling guideline (Przeworski, 1991).

Endogenous Development Hypothesis The Endogenous Development Hypothesis, created by Paul Romer and Robert Lucas, underscores that drawn out financial improvement can be overseen through inward factors like speculation, advancement, human resources, and innovation. This hypothesis features the significance of innovative work (Research and development), instruction, and preparing to work on the abilities and proficiency of the labor force. The public authority assumes a significant part in supporting Research and development and training, establishing an environment helpful for feasible financial development through compelling public strategies (Romer and Lucas, 1990).

Neoclassical Monetary Development Hypothesis Robert Solow and Trevor Swan fostered the Neoclassical Monetary Development Hypothesis in 1956, underlining the significance of work, capital, and advancement as the principal drivers of financial extension. For the time being, instruction and preparing of the labor force can increment productivity and financial development. In any case, without mechanical advancement, development driven by capital and work will decrease in the long haul. Thusly, imaginative advancement is the way to feasible financial development (Apriliani and Widiyanto, 2018).

Keynesian Hypothesis John Maynard Keynes, in his book "The Overall Hypothesis of Business, Premium, and Cash" (1936), expressed that administration spending is a significant part of total interest and can be utilized to deal with the economy. Keynesian hypothesis expresses that the degree of creation and still up in the air by total interest. At the point when total interest is low, the economy encounters a downturn and joblessness increments. On the other hand, when total interest is high, the economy develops and joblessness diminishes. In a downturn, expanded government spending can invigorate creation and make occupations through the multiplier impact. Notwithstanding government spending, financial and money related approaches are likewise significant in overseeing total interest (Mursinto, 2019; Dudzevičiūtė et al., 2018).

LITERATURE REVIEW

Writing Audit Research on the connection among a vote based system and monetary development has shown blended results. A few examinations track down a positive relationship, while others show the inverse. Owusu-Sekyere and Jonas (2017) tracked down a negative connection among a vote based system and

monetary development in Anglophone West Africa, yet factors like capital venture, human resources improvement, useful work, and mechanical advancement additionally influence a country's capacity to develop. Conversely, Heshmati and Kim (2017) showed a positive effect of a majority rules government on financial development, with more grounded credit ensures and unfamiliar direct speculation streams in equitable nations. Territorial examinations likewise give blended results. Prayitno and Yustie (2020) found that majority rules system emphatically affects financial development in East Java. In any case, Nisa and Rafikasari (2022) found that the quantity of laborers made no massive difference, while the HDI adversely affected monetary development in Trenggalek. Dinarjito and Dharmazi (2020) showed that main the HDI was critical in East Kalimantan, while Elmariska and Syahnur (2020) found that speculation affected financial development in Indonesia. Rachdi and Saidi (2015) tracked down an adverse consequence of a majority rule government on financial development in MENA nations, while van de Walle and Masaki (2014) tracked down a positive connection among a vote based system and monetary development in sub-Saharan Africa. With regards to Indonesia, Mutia Sari et al. (2016) showed that venture, work, and government spending significantly affected financial development. Nabilah and Setiawan (2016) found that unfamiliar venture and government spending fundamentally affected monetary development.

In view of past examinations, there is an exploration hole with respect with the impact of the majority rules system file, human improvement record, unfamiliar venture, government spending, and work on monetary development in Indonesia. This exploration is supposed to add to figuring out these elements and give a premise to additional successful financial strategies. In light of the hypothetical premise and writing survey that has been portrayed, the information is made into a calculated structure.

Fugure 1. Calculate Structure

Hypothesis Development:

H1: Indonesian Majority rule government Record (IDI) significantly affects financial development in Indonesia

H2: Human Improvement File (HDI) significantly affects Monetary Development in Indonesia

H3: Unfamiliar Direct Speculation significantly affects financial development

H4: Government Consumption meaningfully affects monetary development in Indonesia

H5: Workforce Significantly affects Monetary Development

METHODOLOGY

The type of data used is secondary data, namely data whose sources are obtained indirectly (Basuki & Prawoto, 2015). This study uses annual financial report data from 2011-2023 from the BPS website (www.bps.go.id). In this case, the data collection instrument in this study is a documentary (Basuki & Prawoto, 2015).

This study uses the population of all regions in Indonesia registered with BPS during 2011-2023. The sample was selected using the purposive sampling method, with criteria including regions in Indonesia that publish IDI, IPM, PMA, Government Expenditure, and Labor data consecutively during the period 2011-2023. The steps of this research design are as follows:

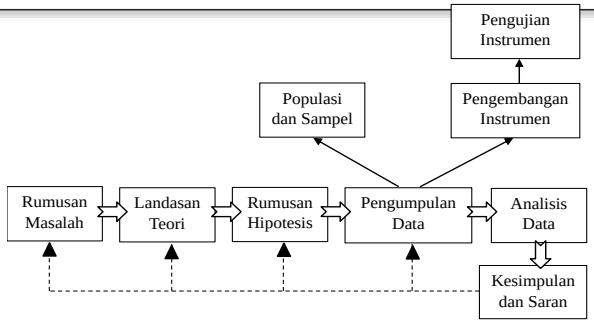

Figure 2. Research Steps

This study means to recognize the impact of autonomous factors on subordinate factors utilizing Eviews 10 and Microsoft Succeed 2019. Graphic Measurable Investigation unmistakable insights are utilized to give an outline of test or populace information through investigation of mean, middle, mode, quartiles, change, standard deviation, and charts. Old style Supposition Test as follows:

Ordinariness Test: Utilizing the Jarque-Bera (JB) test. Information is ordinary in the event that the JB likelihood is > 0.05.

Multicollinearity Test: Utilizing the resistance worth or Difference Expansion Element (VIF). There is no multicollinearity assuming resilience is > 0.01 or VIF < 10.

Autocorrelation Test: Utilizing the Durbin-Watson test (DW-test) to recognize the connection between's residuals for periods t and t-1.

Heteroscedasticity Test: Distinguishing the disparity of remaining changes between perceptions. There is no heteroscedasticity if the likelihood of R2 > 0.05.

Relapse Investigation This investigation is utilized to figure out the straight connection between at least two autonomous factors (X1, X2, ... Xn) and one ward variable (Y). The objective is to foresee the worth of the reliant variable in light of changes in the autonomous variable.

$$Y = \alpha + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + \beta 5X5 + \mu$$

Where:

Y	=	Indonesia GDP
A	=	Constant / Intercept
X1	=	Indonesia Democracy Index
X2	=	Human Development Index
X3	=	Foreign Direct Investment
X4	=	Government Expenditure
X5	=	Labor Force
β1β2β3	=	Regression Coefficient
μ	=	Error Term

The t-test is a partial regression coefficient test to determine the effect of each independent variable on the dependent variable (Darwin, 2021). Decision-making criteria according to Alpi & Gunawan (2018):
Prob. t-statistic <0.05: the independent variable has a significant effect on the dependent variable.
Prob. t-statistic > 0.05: the independent variable does not have a significant effect on the dependent variable.
The following is the formula for the t-test:

$$\text{t-test} = \frac{bj - \beta j}{EG}$$

Information:
bj = Estimator
βj = Parameters of Each Variable
EG = Economics Growth

The coefficient of determination assesses how much variation in the dependent variable is explained by the independent variable (Amijaya & Alaika, 2023). Its value ranges from 0 to 1; the closer it is to 1, the better the independent variable is at explaining the variation in the dependent variable. If $R^2 = 0$, the independent variable does not explain the variation in the dependent variable; if $R^2 = 1$, the independent variable explains

all the variation in the dependent variable (Sugiyono, 2017b).

Table 1. Operasional Definition Variable

Variabel	Keterangan	Satuan
Y	Produk Domestic Bruto	Miliar Rupiah
X1	Indeks Demokrasi	Angka Indeks
X2	IPM	Angka Indeks
X3	Investasi Luar Negeri	Juta Dollar
X4	Pengeluaran Pemerintah	Miliar Rupiah
X5	Tenaga Kerja	Ribu Orang

RESULTS

Overview of Economic Growth in the Period 2011-2023

During the period 2011-2023, Indonesia faced various challenges that affected economic growth, including the impact of significant global and local events. At the beginning of the period, Indonesia's economic growth strengthened with post-global financial crisis stabilization, driven by strong domestic consumption, large infrastructure investment, and exports of profitable commodities such as coal, oil, and palm oil. However, the Indonesian economy experienced a significant slowdown in the mid-2010s, mainly affected by the decline in global commodity prices that hit the export sector (Zainuri et al., 2023).

In addition, the COVID-19 pandemic outbreak in 2020 was a heavy blow to the Indonesian economy. Lockdown measures and social restrictions drastically affected economic activity, causing a significant economic contraction in that year (Viphindrartin, 2021). The Indonesian government responded immediately with massive economic stimulus to support affected sectors and vulnerable communities, such as through social assistance programs and fiscal incentives for companies (Dudzevičiūtė et al., 2018).

Government spending on infrastructure, education, and health remains a strategic focus in supporting long-term economic recovery (Alaika et al., 2022). Structural reforms continue to be carried out to improve the investment climate, reduce bureaucracy, and improve economic regulations. On the other hand, the Indonesian Democracy Index (IDI) and Human Development Index (HDI) show mixed developments, with challenges in increasing access to basic services such as education and health in some regions.

Other challenges include significant regional disparities, lagging infrastructure in remote areas, and dependence on commodity sectors that are vulnerable to global market fluctuations. Efforts to diversify the economy and increase investment in innovative sectors are key to maintaining sustainable and inclusive economic growth in the future (Zainuri & Vitriyah, 2020).

Overall, Indonesia's economic growth during this period reflects complex dynamics, with global events such as the economic crisis and the COVID-19 pandemic providing new challenges that affect the direction of the country's economy. The government's strategic role in supporting infrastructure, improving the quality of human resources, and improving the investment climate will be key in facing these challenges to achieve more stable and sustainable economic growth in the future (Wahyuningsih & Satriani, 2019).

Descriptive Statistical Test

The following is a table of the results of the descriptive statistical test of the dependent variables and independent variables used in this study:

Table 2. Descriptive Statistical Test

	X1	X2	X3	X4	X5	Y
Mean	72.92692	71.18308	31139.60	2155118.	122404.2	4.610000
Median	73.16667	71.46500	28964.10	2007352.	121022.4	5.050000
Maximum	80.43333	74.11000	50267.50	3123677.	139852.4	6.170000
Minimum	64.51667	67.70500	19474.50	1294999.	107416.3	-2.070000
Std. Dev.	4.951414	2.012031	8139.828	595057.0	9953.493	2.093426
Skewness	-0.215039	-0.281508	1.295936	0.371209	0.213785	-2.745383
Kurtosis	2.094008	1.919332	4.077558	1.951681	1.885795	9.415978
Jarque-Bera	0.544802	0.804283	4.267757	0.893836	0.771479	38.62803
Probability	0.761549	0.668886	0.118377	0.639596	0.679948	0.000000
Sum	948.0500	925.3800	404814.8	28016536	1591255.	59.93000
Sum Sq. Dev.	294.1980	48.57923	7.95E+08	4.25E+12	1.19E+09	52.58920
Observations	13	13	13	13	13	13

During the period 2011-2023, Indonesia's economic growth averaged 4.61%, indicating good stability although lower than China (6.0%) and India (6.9%) (Din et al., 2017). The Indonesian Democracy Index (IDI) recorded an average of 72.93%, indicating a solid level of democracy among Southeast Asian countries, although it still needs improvement (Owusu-Sekyere & Jonas, 2017). Indonesia's Human Development Index (HDI) reached 71.18%, indicating adequate achievement but lagging behind several neighboring countries (Asnidar, 2018). Foreign Direct Investment (PMA) reached an average of 31,139.60 million US dollars, indicating strong economic appeal although still below China and the US (Sudirman, 2018). Government expenditure reached an average of 2,155,118 billion rupiah, reflecting a large commitment to infrastructure development and public services (Dudzevičiūtė et al., 2018). The number of workers reached an average of 122,404 people, indicating a large labor market size but requiring increased qualifications to increase global competitiveness (Nisa & Rafikasari, 2022).

Classical Assumption Test

Normality Test

The following are the results of the normality test of this study:

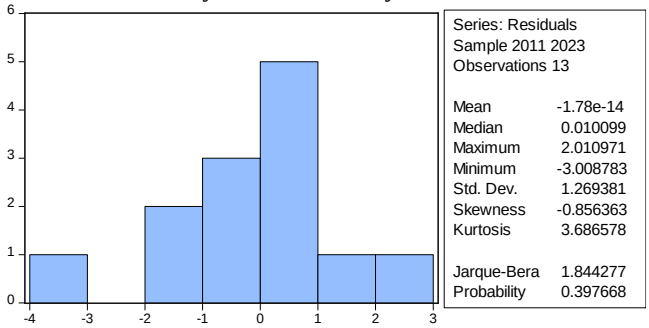

Figure 3. Normality Test Results

Based on the results of the normality test in Figure 4.1 above, the Jarque-Bera (JB) value is 1.844277 with a probability value of 0.397668, which is greater than 0.05 (>0.05) so it can be interpreted that the data is normally distributed.

Multicollinearity Test

The following are the results of the multicollinearity test of this study:

Table 3. Multicollinearity Test Results

R-squared	0.632321	Mean dependent var	4.610000
Adjusted R-squared	0.369693	S.D. dependent var	2.093426
S.E. of regression	1.662010	Akaike info criterion	4.157970
Sum squared resid	19.33595	Schwarz criterion	4.418716
Log likelihood	-21.02681	Hannan-Quinn criter.	4.104375
F-statistic	2.407669	Durbin-Watson stat	1.672032
Prob(F-statistic)	0.141564		

Source: Bps.go.id

From table 3, the Durbin-Watson value obtained is 2.203287. This value is between 1.507 (dU) and 1.772 (4-dU), indicating that there is no autocorrelation problem in the regression model.

Uji Heteroskedastisitas

The following are the results of the heteroscedasticity test for this study:

Table 4. Heteroscedasticity Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	14.91781	21.50497	0.693691	0.5102

IDI	-0.084471	0.089061	-0.948469	0.3745
IPM	0.089380	0.456521	0.195785	0.8503
PMA	-8.66E-05	3.94E-05	-2.198306	0.0639
GE	5.28E-06	1.78E-06	2.973766	0.1207
L	-0.000187	0.000127	-1.470037	0.1850

Source: Bps.go.id

From the two tables above, it can be seen that the calculation results show that the two regression models do not have heteroscedasticity disturbances, which have a significance value greater than 0.05. Thus, it can be concluded that the data does not have heteroscedasticity problems.

Multiple Linear Regression Analysis

In analyzing to determine the magnitude of the influence of independent variables on dependent variables, namely the influence of the Indonesian Democracy Index (IDI), Human Development Index (HDI), Foreign Capital Investment (PMA), Government Expenditure, and Labor on Economic Growth can be seen in the following table:

Table 5. Results of Multiple Linear Regression Analysis

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	8.371721	58.83289	0.651289	0.5356
IDI	0.337152	0.243651	1.383750	0.2089
IPM	-1.604243	1.248942	-1.284482	0.2398
PMA	0.000242	0.000108	2.246001	0.0485
GE	-1.10E-05	4.86E-06	-2.266361	0.0479
L	0.000589	0.000349	1.689887	0.0439

R-squared	0.732321	Mean dependent var	4.610000
Adjusted R-squared	0.769693	S.D. dependent var	2.093426
S.E. of regression	1.662010	Akaike info criterion	4.157970
Sum squared resid	19.33595	Schwarz criterion	4.418716
Log likelihood	-21.02681	Hannan-Quinn criter.	4.104375
F-statistic	2.407669	Durbin-Watson stat	2.672032
Prob(F-statistic)	0.141564		

Source: Bps.go.id

Based on table 5 regarding the results of processing multiple linear regression test data, the following multiple regression equation can be obtained:

Y = 8.371721 + 0.337152 IDI - 1.604243 IPM + 0.000242 PMA - 1.109705 GE + 0.000589 L + μ

Based on the equation above, it can be explained as follows:

The constant value obtained is 8.371721, which means that if the independent variable increases by one average unit, the dependent variable will increase by 8.371721 and vice versa.

The IDI regression coefficient value is positive (+) which is 0.337152, which means that if the IDI increases, economic growth in Indonesia will increase by 0.337152 and vice versa.

The HDI regression coefficient value is negative (-) which is - 1.604243, which means that if the HDI increases, economic growth in Indonesia will increase by - 1.604243 and vice versa.

The PMA regression coefficient value is positive (+) which is 0.000242, which means that if PMA increases, economic growth in Indonesia will increase by 0.000242 and vice versa.

The regression coefficient value of GE is negative (-) which is - 1.109705, it can be interpreted that if GE increases, economic growth in Indonesia will increase by - 1.109705 and vice versa.

The regression coefficient value of L is positive (+) which is 0.000589, it can be interpreted that if L increases, economic growth in Indonesia will increase by 0.000589 and vice versa.

Hypothesis Testing

Determination Coefficient Test (R-Square)

The purpose of this test is to determine how much the independent variables (IDI, IPM, PMA, GE, and Labor) affect the dependent variable (Economic Growth) in a research model.

Table 5 Results of the Determination Coefficient Test (R^2). Based on table 4.8 regarding the results of data processing related to determinant analysis, it can be seen from the magnitude of the Adjusted R-squared obtained. In this study, the Adjusted R-squared has a value of 0.732321, which indicates that the IDI, IPM, PMA, GE, and Labor variables are able to explain 73% of the economic growth variable, while the remaining 27% is explained by other variables outside the model that are not analyzed in this study.

Regression Coefficient Test (T-Test)

In determining the effect of one independent variable on the dependent variable, a t-test is carried out, which is to determine the partial regression. In determining its effect, it is done by looking at the probability and degree of confidence determined in the study, where $\alpha = 0.05$. The criteria for this partial test are:

1) Prob. t-statistic <α, then there is an influence between the independent variable and the dependent variable partially.

2) Prob. t-statistic > α, then there is no influence between the independent variable and the dependent variable partially.

Table 6. T-Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	8.371721	58.83289	0.651289	0.5356
IDI	0.337152	0.243651	1.383750	0.2089
IPM	-1.604243	1.248942	-1.284482	0.2398
PMA	0.000242	0.000108	2.246001	0.0485
GE	-1.10E-05	4.86E-06	-2.266361	0.0479
L	0.000589	0.000349	1.689887	0.0439

Source: Bps.go.id

Based on the results of data processing in table 4.6, the following can be seen:

The Effect of the Indonesian Democracy Index (IDI) on Economic Growth in Indonesia

The IDI variable has a t-Statistic of 1.383750 with a Prob. (Significance) value of 0.2089. This shows that the IDI variable has a greater significance value than alpha (0.2089> 0.05), so it can be interpreted that the IDI variable partially has no effect on Economic Growth in Indonesia for the 2011-2023 period. Therefore, H0 is accepted and Ha is rejected.

The Effect of the Indonesian Human Development Index (HDI) on Economic Growth in Indonesia

The HDI variable has a t-Statistic of -1.284482 with a Prob. (Significance) value of 0.2398. This shows that the HDI variable has a greater significance value compared to alpha (0.2398> 0.05), so it can be interpreted that the HDI variable partially has no effect on Economic Growth in Indonesia for the 2011-2023 period. Therefore, Ho is accepted and Ha is rejected.

The Effect of Foreign Direct Investment (PMA) on Economic Growth in Indonesia

The PMA variable has a t-Statistic of 2.246001 with a Prob. (Significance) value of 0.0485. This shows that the PMA variable has a smaller significance value compared to alpha (0.0485 <0.05), so it can be interpreted that the PMA variable partially has an effect on Economic Growth in Indonesia for the 2011-2023 period. Therefore, H0 is rejected and Ha is accepted.

The Effect of Government Expenditure (GE) on Economic Growth in Indonesia

The GE variable has a t-Statistic of -2.266361 with a Prob. (Significance) value of 0.0485. (Significance) of 0.0479. This shows that the GE variable has a smaller significance value compared to alpha (0.0479 <0.05) so it can be interpreted that the GE variable partially influences Economic Growth in Indonesia for the 2011-2023 Period. Therefore, H0 is rejected and Ha is accepted.

The Effect of Labor (L) on Economic Growth in Indonesia

The Labor variable has a t-Statistic of 1.689887 with a Prob. (Significance) value of 0.0439. This shows that the Labor variable has a smaller significance value compared to alpha (0.0439 <0.05) so it can be interpreted that the Labor variable partially influences Economic Growth in Indonesia for the 2011-2023 Period. Therefore, H0 is rejected and Ha is accepted.

DISCUSSION

The Effect of the Indonesian Democracy Index (IDI) on Economic Growth in Indonesia

The results of this study indicate that an increasing IDI percentage can increase economic growth in Indonesia. However, the regression model confirms that the IDI does not have a significant effect on economic growth in Indonesia with a research period of 2011-2023, thus rejecting H1a. This finding is in line with the results of research (Adib et al., 2020) which revealed that political stability, including stable democracy, can support better economic growth in Indonesia. However, this study also highlights that economic factors such as investment and efficient allocation of resources remain the main determinants of economic growth, while political stability (which may be reflected in the IDI) only plays a more indirect additional role. In addition, the results of this study could also be caused by several things, including:

• Macroeconomic Data: Macroeconomic data released by the Indonesian Central Statistics Agency (BPS) shows that factors such as investment, labor, and domestic consumption have a more direct and significant impact on economic growth compared to political factors such as the Democracy Index.

• Indonesian Economic Development: During the period 2011-2023, Indonesia experienced variations in economic growth influenced by various external and internal factors. Although there were changes in the IDI level during this period, its direct impact on economic growth indicators such as GDP and employment did not always show a strong or direct correlation.

The Effect of the Indonesian Human Development Index (HDI) on Economic Growth in Indonesia

The results of this study indicate that an increase in the HDI percentage can reduce the level of economic growth in Indonesia. However, the regression model confirms that the HDI does not have a significant effect on economic growth in Indonesia with a study period of 2011-2023, thus rejecting H1a. This finding is in line with the results of research by Asnidar (2018) and Khusniati (2022). There are several potential reasons that can explain these results, including:

First, there is a possibility of a mismatch of skills where improved education is not always relevant to the needs of the labor market, resulting in educated unemployment. In addition, despite an increase in school participation rates, the quality of education may still be inadequate to support sustainable economic growth.

Second, inadequate infrastructure can limit the positive impact of an increase in the HDI. Despite investments in education and health, economic growth also depends heavily on economic infrastructure such as adequate roads, ports, and communication facilities.

Third, Indonesia's economy, which is still highly dependent on commodity exports and global price fluctuations, can reduce the positive impact of an increase in the HDI. The instability of foreign investment and other macroeconomic policies also play an important role in economic growth.

Fourth, Indonesia's complex bureaucracy and high levels of corruption can hinder the effectiveness of investments in education and health, thereby reducing the positive impact of an increase in the HDI on the economy. In addition, high income inequality makes the benefits of an increase in the HDI uneven across the population, which in turn hinders economic growth.

Finally, the impact of the COVID-19 pandemic in 2020 and 2021 has caused major disruptions to the Indonesian economy. Although the HDI may continue to increase, the economic disruption caused by the pandemic could blur the relationship between the HDI and economic growth in the short term. A World Bank report suggests that the post-pandemic economic recovery is still ongoing, and various sectors may not have fully recovered, affecting economic growth data during the study period.

The Influence of Foreign Direct Investment (FDI) on Economic Growth

The results of this study indicate that FDI has a positive and significant effect on Indonesia's economic growth during the 2011-2023 period, thus receiving Ha. The findings of this study are in line with the research results of Hariwijaya (2020) and Sudirman (2018). There are several critical reasons for this finding, including: First, FDI often brings advanced technology and best management practices from the investor's home country, which increases the productivity and efficiency of the local industry (Krissawindaru, 2013). Second, FDI creates new jobs, both directly and indirectly, which contributes to a decrease in the unemployment rate ((BKPM), 2023). In addition, foreign investment increases the production and export capacity of local companies. In addition, foreign investment increases the production capacity and exports of local companies. The World Bank report (2020) noted a significant increase in manufacturing and mining sector exports thanks to FDI. FDI also helps diversify the economy by developing new sectors such as information technology and financial services, according to data from BPS. Tax revenues from foreign companies increase state revenues that can be used for infrastructure investment, as reported by the Indonesian Ministry of Finance. Finally, FDI opens access to global markets, allowing local companies to engage in international trade ((OECD), 2019). The combination of these factors explains why FDI has a positive and significant impact on Indonesia's economic growth. 4. The Effect of Government Expenditure (GE) on Economic Growth in Indonesia

The results of this study indicate that Government Expenditure has a negative and significant effect on Indonesia's economic growth during the 2011-2023 period, thus receiving Ha. There are several critical reasons regarding this finding, including: First, inefficient and inappropriate government spending can hinder economic growth. A study by Mursinto (2019) shows that in Indonesia, most government spending tends to be inefficient, with many infrastructure projects experiencing delays and cost overruns. Second, high levels of corruption also have a major impact, reducing the effectiveness of public spending and leading to misuse of funds that should be for development and public services TransparencyInternational (2023). Third, large government spending is often financed through debt, which can result in high budget deficits and increasing debt burdens, limiting fiscal space for productive spending (Ministry of Finance, 2023). Fourth, increased government spending can displace private investment through the displacement effect, where high spending can increase interest rates and reduce access to credit for the private sector (Simorangkir, 2017). Fifth, the quality of infrastructure that is still low despite large spending for this sector can also reduce the positive impact on economic growth (WorldEconomicForum, 2023). Finally, inefficiencies in the public sector, such as large personnel spending but without a comparable increase in productivity, also add to the budget burden without making a significant contribution to economic growth (BPS, 2023). Overall, the combination of these factors explains why government spending can have a negative impact on Indonesia's economic growth in the period studied.

The Effect of Labor (L) on Economic Growth in Indonesia

The results of this study indicate that labor has a positive and significant effect on Indonesia's economic growth during the 2011-2023 period, thus receiving Ha. This finding is in line with the results of research by Yunita & Sentosa (2019) and Nizar et al. (2013). This finding can be explained through several critical reasons related to the important role of labor in the economy. First, an increase in the number of workers is usually correlated with an increase in economic output, especially if the workforce has relevant skills and knowledge. A productive workforce can increase the efficiency and total output of the economy. Second, an increase in the number of workers often means an increase in household income, which in turn increases the demand for goods and services. This increase in demand can drive economic growth through the multiplier effect.

In addition, significant investment in education and training also plays an important role. A more skilled and productive workforce can contribute significantly to economic growth by being more innovative and efficient in their work. Labor-intensive sectors of the economy such as manufacturing and services may experience faster growth with increased labor, as these sectors often require large numbers of workers for production and services. Finally, more flexible labor mobility can fill gaps in various sectors of the economy, helping to maintain high productivity and boost overall economic growth.

CONCLUSIONS

Overall, the results of the study indicate that factors such as the Indonesian Democracy Index (IDI) and the Human Development Index (HDI) do not have a significant effect on Indonesia's economic growth from 2011 to 2023. A more dominant focus on investment, efficiency of resource allocation, and the contribution of foreign investment in technology transfer and the creation of new jobs are the main drivers of economic growth. On the other hand, government spending tends to have a negative impact which may be caused by inefficiency and corruption problems. The important role of labor in increasing productivity emphasizes the need for further investment in education and training. To achieve inclusive and sustainable economic growth, it is necessary to improve the quality of institutions, infrastructure, and increase the

efficiency of public resource use. Thus, a holistic and data-backed economic policy will be the key to the future of Indonesia's economic growth.

To boost Indonesia's economic growth, key steps include increasing investment in education and training to reduce skills mismatch, infrastructure reform for efficient distribution of goods and services, increasing the efficiency of public spending, encouraging sustainable foreign investment, and maintaining economic policy stability. Suggestions for academics include the development of holistic research methods, further study of economic linkages, comparative analysis, academic network collaboration, and broad dissemination of research results to support more effective policies.

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