

Review Article

The Impact of Foreign Direct Investment, Domestic Investment, Balance Fund, and Number of Population to Economic Growth in Indonesia

Fitriyah¹, Khintan Wulandari², Imam Mukhlis³

^{1,2,3} Faculty of Economics, Universitas Negeri Malang
Jl. Semarang No.5, Malang, Jawa Timur, Indonesia

Received Date: 22 March 2020

Revised Date: 30 April 2020

Accepted Date: 04 May 2020

Abstract - This study aims to determine the effect of Foreign Direct Investment (FDI), Domestic Investment (DI), Balance Fund (BF), and the number of the population (P) on economic growth (EG) in 34 provinces in Indonesia in 2014-2018. The data analysis technique uses panel data regression, and the chosen model is the Fixed Effect Model (FEM). Estimation results show that (1) Foreign Direct Investment (FDI) has a positive and significant impact on economic growth in Indonesia in 2014-2018; (2) Domestic Investment (DI) has a positive and significant correlation to economic growth in Indonesia in 2014-2018; (3) Balance Fund (BF) has a positive and significant effect to economic growth in Indonesia in 2014-2018; (4) The population has a positive and significant effect to economic growth in Indonesia in 2014-2018; and (5) Foreign Direct Investment (FDI), Domestic Investment (DI), Balance Fund (BF), and Population Number (P) altogether influence the economic growth in Indonesia during 2014-2018.

Keywords - Economic Growth, Foreign Direct Investment, Domestic Investment, Balance Fund, Population.

I. INTRODUCTION

For the past five years, economic growth in Indonesia has been increasing every year. This increase is one of the

indicators of the success of a country's development (Mankiw, 2007: 182). By the supporting components such as capital accumulation that can be obtained by investment like Foreign Direct Investment (FDI) and Domestic Investment (DI), also government expense through the Balance Fund (BF), which is used by local governments to fund all regional affairs. This is in line with Todaro (2006: 92) explains that the main part of the economic growth of each country is capital accumulation.

The increase of FDI, and DI in Indonesia, also the BF by the central government to local governments, are suitable with the condition of the Indonesian economy, which is still in a developing state that requires a lot of funds for the development in various sectors to support the growth of the Indonesian economy. According to Dairy (1996: 130), investment is the first step to carry out a development, which can be obtained from Domestic Investment (DI) and Foreign Direct Investment (FDI) both are very important and affect the economic growth in a country. The following Table 1 shows the rate of Economic Growth, Foreign Direct Investment (FDI), Domestic Investment (DI), Balance Fund (BF), and Population (P) in Indonesia year 2014-2018.

Table 1. Rate of Economic Growth, Foreign Direct Investment (FDI), Domestic Investment (DI), Balance Fund (BF), and Population (P) in Indonesia in 2014-2017

Variable	Year			
	2014	2015	2016	2017
Dependent Variable				
Economic Growth (%)	5.01	4.8	5.03	5.07
Independent Variable				
Foreign Direct Investment(Million USD)	28.529,70	29.275,90	28.964,10	32.239,80
Domestic Investment (Billion RP)	156.126,3	179.126,3	216.230,8	262.350,5
Balance Fund (Billion RP)	688.827,0	728.565,20	114.412,00	162.137,00
Total Population (Million Inhabitants)	252.164,80	255.461,60	258.704,90	255.882,10

Source: BPS, processed, 2019



According to Adam Smith, there are two main aspects of economic growth; total output growth and population growth. The population in Indonesia, as a developing country, is increasing every year. The population plays an important role in Indonesian economic growth. If the population increases, the output growth through production processes that require labor and market expansion will also develop. When production and consumption increase, it will affect the increase in economic growth. However, if the increase in population is followed by a decrease in productivity, it will impact the decay of the economic growth rate.

Therefore, the title of this research is the Impact of Foreign Direct Investment (FDI), Domestic Investment (DI), Balance Fund (BF), and Number of Population (P) to Economic Growth in 34 Provinces in Indonesia throughout 2014-2018.

II. LITERATURE REVIEW

According to Kuznets cited in Arsyad (2010: 277), economic growth defines as an increase in the ability of a country to provide economic welfares to the population. The development of the ability is because of the technological, institutional, and ideological adjustments needed. Economic growth has three important components, (1) capital accumulation that includes all new investments in land, physical equipment, and human resources through improving health, education, and work skills; (2) population growth that leads to the growth of the labor force; (3) technological progress which applies new methods to complete tasks, while there are three basic classifications of technological progress, including neutral, labor-saving, and saving capital (Todaro and Smith, 2011: 170-174). Economic growth is a process of improving a country's economic conditions to a better condition for a certain period continuously (Hasyim, 2016: 231). So, economic growth is an increase in the ability of a country to provide economic goods to get to a better condition in a certain period. In measuring economic growth, economists use Gross Domestic Product (GDP) data, where GDP measures the total income of each person in the economy (Mankiw, 2006: 182).

Under Law Number 25 of 2007 concerning Investment, Foreign Direct Investment (FDI) is an investment activity to conduct business in the Republic of Indonesia territory that runs by foreign investors, both those who use foreign capital fully or those who are affiliated with domestic investors. According to Harrod-Domar's theory, capital formation is an important factor that determines economic growth. Meanwhile, the Solow-Swan theory says that economic growth depends on the availability of production factors such as population, labor, and capital, as well as the level of technological progress. Then, Rostow's theory tells that an increase in the level of investment will be able to spur the rate of growth of national income to exceed the rate of population growth. Also, the endogenous theory tells that economic growth is the result of the decision of economic actors in investing in

science. This capital is not only physical capital but includes human capital (Arsyad, 2010: 83-91).

Based on Law No. 25 of 2007 about Investment, Domestic Investment (DI) is an investment activity to conduct business in the Republic of Indonesia territory run by domestic investors using domestic capital. According to Harrod-Domar's theory, capital formation is an important factor that determines economic growth. Meanwhile, according to the Solow-Swan Theory, economic growth depends on the availability of production factors such as population, labor, and capital, as well as the level of technological progress. Then according to Rostow's theory, an increase in the level of investment will be able to spur the rate of growth of national income to exceed the rate of population growth. And then, according to the endogenous theory, economic growth is the result of the decision of economic participants in investing in science. This capital is not just physical capital but includes human capital (Arsyad, 2010: 83-91).

According to the Law of the Republic of Indonesia, Number 20 of 2019 about the State Budget (*Anggaran Pendapatan dan Belanja Negara* or *APBN*) in 2020, the Balanced Fund (BF) is a fund sourced from the *APBN* for the regions to fund regional needs in purposing of decentralization which consists of general transfer funds and special transfer funds. General transfer funds consist of Revenue Sharing Funds (*Dana Bagi Hasil* or *DBH*) and General Allocation Funds (*Dana Alokasi Umum* or *DAU*). Whereas the Special Transfer Fund consists of the Physical Special Allocation Fund (*Dana Alokasi Khusus* or *DAK*), and the Non-Physical Special Allocation Fund (*Dana Alokasi Khusus* or *DAK*). Todaro (2006: 92) states that the main component in the economic growth of each country is capital accumulation, where one of them is a capital expenditure that can be obtained from the allocation of fiscal balance. This capital expenditure is a government expenditure related to investment activities to achieve development goals. The output of this capital expenditure will result in the provision of various facilities and infrastructure needed to enhance economic growth in Indonesia.

Population growth is a dynamic balance between forces that develop and forces that diminish the population. The population will determine the job offer. This population growth consists of four components, (1) birth (fertility) is defined as the real offspring of a woman; (2) mortality, where the size of the death indicates a number or index used as a basis for determining the level of death of a population. There are various sizes of mortality, including crude mortality, mortality by age, and infant mortality; and (3) migration is the movement of the population to settle from one place to another beyond political/state borders or administrative boundaries/internal boundaries in a country (Mulyadi, 2012: 15-30). Adam Smith states that economic growth consists of two main aspects; total output growth, and population growth. One part of output growth is human resources, which is represented by the number of people who play a passive

role in the process of output growth. This means that the population will adjust to the needs of labor, where labor is as one of the inputs in the process of production and division of labor. Then, population growth is considered to be able to encourage economic growth, because the rising population will expand the market, and market expansion will enhance the level of specialization in the economy. In addition, according to the Solow-Swan theory, economic

growth depends on the availability of production factors such as population, labor, and capital, as well as the level of technological progress (Arsyad, 2010: 74-88). The following of Table 2 shows the relationship between Foreign Direct Investment (FDI), Domestic Investment (DI), Balance Fund (BF), and number of Population (P) to Economic Growth (EG) from previous research:

Table 2. Previous research shows the relationship between Foreign Direct Investment (FDI), Domestic Investment (DI), Balance Fund (BF), and the number of Population (P) to Economic Growth (EG)

Author	Research Topic	Date of the Data	Method	Finding
Mukhlis and Qodri (2019)	Relationship Between Export, Import, Foreign Direct Investment And Economic Growth In Indonesia	1980-2017	VEM	In this study, they found that FDI had no relationship with economic growth in Indonesia in the short term. And in the long run, there was a negative relationship between FDI and economic growth.
Prawira, Sarfiah, Jalunggono (2019)	The Effect of Foreign Direct Investment (FDI), Export and Import on Indonesia's Economic Growth 1998-2017	1998-2017	Multiple Linear Regression method	In this study, they found that the variable Foreign Direct Investment (FDI) was influential positively and significantly to economic growth.
Susilo (2018)	The impact of Foreign Direct Investment on Economic Growth (a Case Study in the United States)	2000-2017	Multiple Regression Model and Estimation Using Ordinary Least Squares (OLS)	In this study, Susilo found that FDI had a significant effect on economic growth. However, in the 10 sectors, some are positively correlated to economic growth and also negatively correlated.
Salebu (2014)	The Impact of Foreign Direct Investment on Indonesian Economic Growth: Panel Data analysis For The Period 1994-2013	1994-2013	Panel Data analysis	In this study, Salebu found that FDI had a positive and significant effect on economic growth (GDP).
Emmanuel and Kehinde (2018)	Domestic Investment and Economy Growth in Nigeria: An Empirical Investigation	1980-2016	Granger Causality Test	In this study, they found that domestic investment had a significant positive effect on Economy Growth (GDP).
Bakari (2017)	The Impact of Domestic Investment on Economic Growth: New Policy Analysis from Algeria	1969-2015	Co Integration Analysis of Vector Error Correction Model	In this study, Bakari found that domestic investment has a negative effect on economic growth in the long run. However, in the short term, domestic investment causes economic growth in Algeria.
Rizky, et al. (2016)	The Effects of Foreign Direct Investment, Domestic Investment, and Capital Expenditures on Provincial Economic Growth in Indonesia	2010-2013	Panel Regression Analysis	In this research, Rizky and the others found that domestic investment had a positive and significant effect on economic growth.

Ullah, Shah, and Khan (2014)	Domestic Investment (DI), Foreign Direct Investment (FDI), and Economic Growth Nexus: A Case of Pakistan	1976-2010	Phillips and Perron (PP) approach Johansen cointegration Toda-Yamamoto causality approach	In this study, they found that there is causality between domestic investment and economic growth in Pakistan.
Adams (2009)	Foreign Direct Investment, Domestic Investment, and Economic Growth in Sub-Saharan Africa	1990-2003	OLS	In this study, Adams found that domestic investment was positive and correlated significantly with economic growth both in the OLS estimation and the fixed effects.
Dilliana, et al. (2019)	Regional Financial Performance Mediates the Effect of Regional Balance Funds and Expenditures on Economic Growth	-	Path Analysis	In this study, they found that Regional Balance funds have a positive effect on the economy.
Paat, A.M.Koleangan, and Rumat (2019)	The Effect of Local Revenue (PAD), Balance Fund (BF) on Economic Growth and Its Impacts towards poverty in Bitung	2004-2015	Path Analysis	In this study, they found that the Balance und (BF) had a positive and not significant effect on economic growth.
Badrudin and Kuncorojati (2017)	The Effect of District Own-Source Revenue and Balance Funds on Public Welfare by Capital Expenditure and Economic Growth as an Intervening Variable in Special District of Yogyakarta	2006-2013	Partial Least Square (PLS)	In this study, they found that the Fiscal Balance had no significant effect on economic growth.
Chandra, Hidayat, and Rosmeli (2017)	Impact of balance fund on economic growth and regional disparities in Jambi Province	2001-2013	Regression Analysis	The Balanced Fund had a significant and positive effect on economic growth.
Buccia, Eraydınd, and Müllere (2018)	Dilution Effects, Population Growth and Economic Growth under Human Capital Accumulation and Endogenous Technological Change	1970-2010	Regression R & D	In this study, they found that the population influences economic growth both positively and negatively, depending on the country-specific dilution effect on schooling.
Rahayu, Michael, and Amalia (2017)	Influence of Population and Inflation and Private Investment Against Economic growth	2003-2014	Structural Equation Model (SEM).	In this study, they found that the population had a significant negative influence on East Kalimantan's economic growth.
Rahmatullah (2016)	The Effect of Productive Age on Indonesia's Economic Growth	1990-2014	Regresi Linear Berganda	In this research, Rahmatullah found the fact that the productive age population had a positive and significant effect on Indonesia's economic growth.

Rochaida (2015)	The Impact of Population Growth on Economic Growth and Family Welfare in East Kalimantan Province	1961-2010	Pearson Product Moment (PPM)	In this study, Rochaida found the fact that the population has a positive but not significant relationship to economic growth.
Prettner (2014)	The non-monotonous impact of population growth on economic prosperity	-	R&D-Based Economic Growth Mode	In this study, they found that the population had negative impacts on economic growth.
Dao (2012)	Population And Economic Growth In Developing Countries	2010	Regresi Linear Berganda	In this study, they found that the population had a significant negative effect on economic growth.
Tsen and Furuoka (2005)	The Relationship between Population and Economic Growth in Asian Economies	1950-2000	PP Unit Root Test, Statisticvector Autoregressive (VAR), and Granger Causality Test	In this study, they found that there is a two-way relationship between population and economic growth for Japan, Korea, and Thailand. For China, Singapore, and the Philippines, the population causes economic growth and not vice versa. For Taiwan and Indonesia, there is no evidence of causality between population and economic growth.

III. RESEARCH METHODOLOGY

This research used the qualitative approach to find out the influence of Foreign Direct Investment (FDI), Domestic Direct Investment (DI), Balance Fund (BF), and The Number of Populations (P) towards the Economical Growth (EG) according to the Provinces of Indonesia in 2014 to 2018. The data used in this research is the secondary data that are gained from the website of the Central Bureau of Statistics (BPS), as well as the website of the Investment Coordinating Board. The data analysis used to panel data analysis that is the combination of data cross-section (34 Provinces) and time series (from 2014 to 2018), with the statistic analysis tool used is the Eviews 10. This tool is used to estimate the Data panel. Here is the estimation model used for this research:

$$\hat{Y} = \beta_0 + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + e$$

Note:

$\hat{Y}$ = Variable of economical Growth (EG)

β_0 = Intercept

β_1 = Regression Coefficient of Foreign Direct Investment (FDI)

X_1 = Variable of Foreign Direct Investment (FDI)

β_2 = Regression Coefficient of Domestic Direct Investment (DI)

X_2 = Variable of Domestic Direct Investment (DI)

β_3 = Regression Coefficient of Balance Fund (BF)

X_3 = Variable of Balance Fund (BF)

β_4 = Regression Coefficient of Number of Population (P)

X_4 = Variable of Number of Population (P)

e = error term

There are some phrases in the analysis of double linear aggression by using the data panel; those are (1) Estimation of the regression model, there are three models that can be used. Those models are Common Effect Model/ Pooled Least Square, the model known to estimate its own using the Ordinary Least Square method (OLS), which uses the data panel of. OLS is a regression that uses the square method that is simple and has the smallest error. In this model, it does not pay attention to the dimension of time as well as individual, so that it is assumed that the behavior of every data; Fixed Effect Model/FEM, this model is the method that considers the presence of differences of characteristics. This model assumes that the difference between individuals can be accommodated through the difference of the intercept. In using this model, the data panel is more accurate. In which when estimating the data panel using this data using the dummy technique to find out the difference of intercept between the individuals. The difference can happen because of the difference in working culture, system, and incentive. However, every individual has a fixed slope or the same between individuals; Random Effect Model (REM), estimating the data panel that enables the error term connecting the individuals and the time dimension. Then from all the three models, then one of the best, that is (2) Chow test and Hausman. Chow test is used to test whether the effect modeling is still better if it is compared to the mixed residual model (Pooled OLS). Meanwhile, the

Hausman test is used to determine the fixed effect model (FEM) and the random effect model (REM) that will be chosen. After choosing the model, the next is (3) a classical test and statistical test to find out the influence of the independent variables on the dependent variables.

IV. RESULTS AND DISCUSSIONS

The analysis of regression of the data panel is estimated using three methods of estimation that is Common Effect Model/Pooled Least Square (PLS), Fixed Model Effect, as well as the RandomEffect Model (REM). From the three models, the best one is chosen by using the Chow test and Hausman Test. The Chow test is used to test the best estimation model between the Pooled Least Square (PLS) and Fixed Effect Model (FEM). Here is the result of the test of the Chow test:

Table 3. Chow Test

Chow Test	
Cross-section F Statistic	675.25
Probability	0.0000

Source: processed by the researcher, 2019

Based on Table 3, the result of the Chow Test indicated that the probability of F is 0.0000. This shows that the score of probability F is less than the level of significance that is 0.0000, which is less than 0.05 percent.

Table 5. Estimation Result of Fixed Effect Model (FEM)

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-4.700585	1.076570	-4.366262	0.0000
FDI	0.010802	0.004683	2.306391	0.0227
DI	0.008832	0.002683	3.291864	0.0013
BF	0.082302	0.009000	9.144723	0.0000
P	1.684881	0.145284	11.59715	0.0000
Classical Assumption Test			R-squared	0.999353
Normality	Prob. JB	0,06	Adjusted R-squared	0.999169
Autokorelasi	DW stat	1,42	F-statistic	5430.720
Multikolinearitas	Coefficient Correlation	< 0,85	Prob(F-statistic)	0.000000
Heteroskedastisitas	Independent Variable is not significant towards the residual			

Source: processed by researcher, 2019

Then, the classical assumption test that consists of the normality test, multicollinearity, heteroscedasticity, and autocorrelation. Based on Table 5 indicated that the classical assumption test towards the influence of Foreign Direct Investment (FDI), Domestic Direct Investment (DI), Balance Fund (BF), and the Number of Population (P) towards the Economical Growth (EG) according to the Provinces of Indonesia in 2014 to 2018. In which it fulfilled the classical assumption such as the assumption of normality, multicollinearity, and heteroscedasticity, yet it does not fulfill the assumption of autocorrelation. This is because the data that is used in the research used the data panel with the OLS Approach (Ordinary Least Squared) then not all of the classical assumption tests must be fulfilled.

Based on Table 5, then the equation of the regression using the data panel on this research is as follows:

$$\ln EG = -4,701 + 0,011 \ln FDI + 0,009 \ln DI$$

This means that the model chosen is the Fixed Effect Model (FEM). Next, the Hausman test is done to determine the best model between the Fixed Effect Model (FEM) and Random Effect Model (REM). Here is the result of the Hausman test.

Table 4. Hausman Test

Hausman Test	
Chi-Sq. Statistic	97.5856
Probability	0.0000

Source: processed by researcher, 2019

Based on Table 4, the result of the Hausman Test indicated that the score of the probability of Chi-Square that is 0.0000. This shows that the probability of Chi-Square is less than the significance level that is 0.0000, which is less than 0.05 percent. This means the model chosen is the Fixed Effect Model (FEM). Based on the Chow test and the Hausman test, then the model chosen is the Fixed Effect Model (FEM). Where the FEM model here is the best model to estimate the influence of Foreign Direct Investment (FDI), Domestic Direct Investment (DI), Balance Fund (BF), and the Number of Population (P) towards the Economical Growth (EG) according to the Provinces of Indonesia in 2014 to 2018. Here is the result of the estimation using the Fixed Effect Model (FEM):

$$+0,082 \ln BF + 1,684 \ln P$$

Based on the equation above, the score of the coefficient constant is -4.701; this means that if FDI, DI, the BF, and the Number of Population have a constant score, then the number of economical growth decreased 4.701 percent. Then, the Adjusted R-Square is 0.999169 or 99.91percent. This indicated that the variable of Foreign Direct Investment, Domestic Direct Investment, Balanced Fund, and the Number of Population in explaining the influence towards the economical growth of 99.91 percent. And the rest of 0.09 percent is explained by the other variables that are not classified in the model. After that, to find out the influence of Foreign Direct Investment (FDI), Domestic Direct Investment (DI), Balance Fund (BF), and the Number of Population (P) towards the Economical Growth (EG) in 34 Provinces of Indonesia of 2014-2018 can be seen from the statistical test that consists of T-test and F test in the following.

A. The Influence of the Variable of Foreign Direct Investment towards the Economical Growth

Based on the result of the estimation of the FEM model in Table 5, it indicated that the variable of Foreign Investment has a probability score of 0.023, which is less than 0.05. This means that Foreign Direct Investment has a significant influence on the economical growth. With the coefficient score of 0.011, that means between the Foreign Direct Investment (FDI) and the economical growth has a positive relationship, where if the Foreign Direct Investment increased then the economical growth will increase as much as 0.011 percent. The positive influence of Foreign Direct Investment (FDI) towards the economic growth that is also significant here will indicate that when the Foreign Direct Investment (FDI) increases will increase the economical growth. Foreign Direct Investment (FDI) for a country is very important, especially for the developing countries that are lacking in capital. Where the Foreign Direct Investment (FDI) here has a lot of benefits such as accelerating the countries development, as well as accelerating technological growth, all these will lead to the increase of capital that influences the output increase of goods and services, one of it is due to the shifting to the more advance technology so that it will improve the economical growth.

The results of this research are along with the theory of Harrod-Domar that mentioned that the funding for capital is an important factor that determines the economical growth. Meanwhile, according to the theory of Solow-Swan, the economical growth also depends on the availability of production factors, such as the society, human resources, and capital, as well as the level of advancement of technology. Then according to the theory of Rostow, the increase in investment rate will be able to push the growth rate of national income until it surpasses the population growth. As well as, according to the theory of Endogen, economical growth is a result of a decision of the stakeholders in investing in the science field. In which such investment is not only the type of physical capital, rather it covers the human capital (Arsyad, 2010: 83-91).

This research is along with the result of the research of Salebu (2014) that is Foreign Direct Investment has a positive and significant influence on economical growth. In the situation where the significant influence here comes from the primary, secondary, and as well as the tertiary sector. This research is also along with the research of Prawira, Sarfiah, and Jalunggono (2019) that is Foreign Direct Investment influences positively and significantly towards the economical growth because of Foreign Direct Investment, including in the investment of goods capital, where Foreign Direct Investment is the nil-investment in the shape of company establishment, factory construction, purchase of capital goods, land, raw material and the control of investment. It is done so that Foreign Direct Investment can push the increase of economical growth, and without the Foreign Direct Investment then the economical activity will probably work slowly or less

productive because of the capital and the infrastructure that is not fully supported.

B. The Influence of the Variable of Domestic Direct Investment towards the Economical Growth

Based on the estimation result of the FEM model in Table 5, it indicated that the Variable of Domestic Direct Investment has a score of 0.001, which is less than 0.05. This means that Domestic Direct Investment has a significant influence on the economical growth. The coefficient score of 0.009 means that between Direct Investment and the economical growth has a positive relationship. In the situation where DI increased, then the economy will also grow by 0.009 percent. The influence of Direct Investment the positive and significant of Direct Investment and the economical growth here indicated that when Direct Investment increases, then the economical growth will increase as well. The investment is very fundamental for the economical growth, where the capital here is a component of economical growth. Besides, the capital can increase the output because such an increase will improve the factor of production so that it will increase the output, which is influential towards the economical growth

The result of this research is along with the theories of Harrod-Domar that mentioned that the establishment of capital is an important factor that determines the economical growth. The theory of Solow-Swan mentioned that economic growth also depends on the availability of production factors such as the population, human resources, and capital, as well as the rate of the advancement of technology. The theory of Rostow mentioned that the increase in investment rate would be able to increase the national income, which surpasses its population growth. Also, the theory of Endogen mentioned that economic growth is a result of the decision made by the stakeholders of the economy in investing in the field of science. In such a situation where the capital here is not only a mere physical capital; instead, it covers the human capital (Arsyad, 2010: 83-91).

This research is also along with the result of the research by Emmanuel and Kehinde (2018) that is Domestic Direct Investment has a positive and significant influence on the Economical Growth. This means that the higher the rate of Domestic Direct Investment, the higher the economical growth. In which where the Domestic Direct Investment pushes the industrialization, promote the drastic growth of agricultural production so that it enables to achieve high and sustainable economic growth. Besides, along with the result of Adams (2009) that Domestic Direct Investment has a positive and significant correlation with the economical growth. It is also along with the research of Rizky, et al. (2016), which mentioned that the Domestic Direct Investment has a positive and significant influence on the economical growth, this means that if the score of Foreign Direct Investment has an increased, then the economical growth will also increase due to the positive influence. Besides, Rizky also mentioned that the

influence of Domestic Direct Investment on the economy is positive and significant also promoted by several things that are the climate of investment, infrastructure, abundant natural resources, as well as the presence of a domestic market.

C. The Influence of Balance Fund towards the Economical Growth

Based on the estimation result of the FEM model in Table 5, it indicated that the variable of Balance Fund has a probability score of 0.000, which is less than 0.05. This means that the Balanced Fund has a significant influence on the economical growth. With the coefficient score of 0.082, that means between the Balance Fund and the economical growth has a positive relationship, where the Balance Fund increased then the economical growth will increase by 0.082 percent. The positive and significant influence of the Balanced Fund here indicated that when the Balance Fund increases, it will increase economic growth as the effect of the increase of development funding to increase the economical growth.

This research is along with the theory of Todaro (2006: 92) that is the main component in the economical growth of every nation is the accumulation of capital from one of its is the capital expenditure that is gained from the allocation of Balance Fund. This research is also along with the research by Dilliana, et al. (2019). Balance funds have a positive effect on the economy. This indicated that the number of public allocation of funding, specific allocation, and the funding of income sharing has increased so that economic growth also increased. The result from Chandra, Hidayat, and Rosmeli (2017) is that the Balanced Fund has a positive and significant increase towards the economical growth in the Jambi Province.

D. The Influence of Number of Population towards the Economical Growth

Based on the estimation result of the FEM model in Table 5, it indicated that the variable of the number of population had gained a score of 0.000, which is less than 0.005. This means that the population has a significant influence on economical growth. With the coefficient score of 1.684, that means between the population and the economical growth has a positive relationship, where if the population increases, then the economical growth will also grow 1.684 percent. The positive and significant influence of the number of the population here indicated that when the population increases, then it will increase the economical growth due to the improvement. It means that if the increase happens, then the output will also increase so that the economic growth will increase as well.

This research is along with the theory of Adam Smith and Solow-Swan. According to Adam Smith, the economical growth consists of two main aspects; those are total output growth and population growth. One of the parts from the output growth is the human resources that are represented by the number of the population that holds a passive role in the process of output growth. It means that the population will adjust to the needs of the

workforce, where the workforce is seen as one of the inputs in the process of production and the work division. Then, the population growth can push the economical growth because by the increase of its population, it will expand the market, and the market expansion will increase the specialization in the economy. Then according to the theory of Solow-Swan, the economical growth depend on the availability of factors of production such as the population, workforce, and capital, as well as the advancement of technology (Arsyad, 2010:74-88).

This research is along with the result of the research of Tsen and Furuoka (2005) that discover that there are two ways the relationship between population and economic growth for Japan, Korea, and Thailand for China, Singapore, and Philipines, the population caused the economical growth and not otherwise. For Taiwan and Indonesia, there is no proven evidence between the population and the economical growth. Also, along with the research done by Rahmatullah (2015) that discovered the population growth of productive age has a positive and significant influence on the economical growth of Indonesia. However, contradicting to the research done by Rchaida (2016), discovered that the population growth has a positive and significant relationship towards the economical growth in the Province of Eastern Kalimantan.

E. The Influence of Foreign Direct Investment, Domestic Investment, Balanced Fund, and Number of Population on the Economic Growth

Based on the result of the FEM model estimation as described in table 5, it showed that the probability value F is 0.000. It means that the probability value F is lower than the *level of significance* since 0.000 is less than 0.05. In other words, the combination of Foreign Direct Investment, Domestic Investment, Balanced Fund, and Number of Citizens altogether contributes influences on Indonesian Economic Growth in 2014-2018. Therefore, any change of value in Foreign Direct Investment, Domestic Investment, Balanced Fund, and Number of Population altogether influence the economic growth in 34 provinces in Indonesia from 2014 to 2018.

V. CONCLUSION

Economic growth is influenced by the availability of capital. This is supported by the theory and research findings which presented that Foreign Direct Investment (FDI) and Domestic Investment (DI) have a positive and significant influence on economic growth in Indonesia throughout 2014-2018. Besides, economic growth in Indonesia is influenced by the government's expenditure in the form of Balanced Fund as proved by theories and research findings which stated that Balance Fund has a positive and significant influence on the economic growth in Indonesia throughout 2014-2018. Furthermore, economic growth is also affected by the number of citizens as the theory and research finding verified that number of populations has a positive and significant influence on the economic growth in Indonesia. Finally, based on the regression estimation from EFM demonstrated that the

combination of Foreign Direct Investment (FDI), Domestic Investment (DI), Balance Fund (BF), and Number of Population (P) altogether influence towards the Economic Growth (EG) in Indonesia throughout 2014-2018.

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