



THE INFLUENCE OF INVESTMENT ON ECONOMIC GROWTH IN INDONESIA: ECONOMIC AND LEGAL PERSPECTIVES

Ardi Aprinawan Popi¹, Andy Azhar², Desy Ervitasari³

^{1,2} Department of Management, University of Muhammadiyah Bengkulu, Indonesia

³ Faculty of Law, University of Muhammadiyah Bengkulu, Indonesia

Info article	ABSTRACT
<p>Correspondence Author:</p> <p>Ardi Aprinawan Popi ardiaprinawanpopi1@gmail.com Department of Management, University of Muhammadiyah Bengkulu</p>	<p>Abstract Investment plays an important role in encouraging Indonesia's economic growth. This study aims to analyze the influence of investment on economic growth in Indonesia. The research method used multiple regression analysis with secondary data from the Central Statistics Agency (BPS) and Bank of Indonesia for the 2010-2022 period. The results of the study show that investment has a significant influence on economic growth in Indonesia, with a contribution of 25% to GDP. Foreign direct investment and dose investment have a psychic influence on economic growth. Therefore, policies need to be implemented to increase investment and encourage national economic growth.</p> <p>Keywords: <i>Investment in Economic Growth in Indonesia (Case Study of Bengkulu - Taba Penanjung Toll Road)</i></p>
<p>This article is distributed under the terms of the Creative Commons Attribution-Share Alike 4.0 International License (https://creativecommons.org/licenses/by-sa/4.0/)</p>	

INTRODUCTION

Indonesia, as one of the developing countries that has great economic potential, continues to strive to increase its economic growth. Sustainable economic growth is the main goal for the government in an effort to improve welfare. In this context, the role of investment has a crucial role. Investment is not only a source of financing for infrastructure and industrial development, but also a catalyst for overall economic growth. Support from the economic and legal sectors is an important foundation in building a conducive investment environment and providing the necessary legal protection for investors between investment and economic growth, we can identify the factors that affect the dynamics of the Indonesian economy and formulate appropriate policies to achieve sustainable economic growth.

Indonesia as a developing country continues to strive to achieve high and sustainable economic growth. In this effort, foreign investment plays an important role as one of the main driving forces of the economy. Foreign investment is not only an important source of additional capital for development, but also brings other positive impacts such as job creation, technology transfer, and increased exports.

Indonesia's economy as one of the largest in Southeast Asia is supported by the Pancasila economic system that combines the principles of social justice with market mechanisms. The service sector dominates, followed by the manufacturing, agriculture and

mining industries, with abundant natural resources and a large and relatively young workforce. Indonesia's economic growth is relatively stable, driven by a large and growing domestic market. However, Indonesia still faces challenges such as economic inequality, limited infrastructure, and corruption. The government continues to strive to improve the economy through infrastructure development, industrial down streaming, MSME development, and human resource investment. With the potential and efforts made, Indonesia is optimistic that it can achieve its goal of becoming a developed country with a strong, inclusive, and sustainable economy.

Indonesia has taken an important step in encouraging investment through Law Number 25 of 2007 concerning Investment. This law provides an important legal basis for investors to invest their capital in various sectors of the economy. With the Investment Law, the Indonesian government seeks to create a conducive investment climate, protect investor rights, and provide incentives to attract investment both from within and outside the country. This regulation is the main guideline in the investment process in Indonesia and provides the necessary legal certainty for business actors in the provisions regulated in it, Law Number 25 of 2007 is a very important instrument in strengthening Indonesia's position as an attractive investment destination at the regional and global levels

According to the journal Kambono & Marpaung, (2020) Economic growth can be defined as the process of increasing the production capacity of an economy which is characterized by an increase in the output of goods and services over time. This increase is reflected in a country's ability to produce increasingly varied outputs, which ultimately contributes to improved social welfare.

Economic growth is driven by an increase in the production of goods and services, which results from the accumulation of production factors both quantitatively and qualitatively. Investment plays an important role in this process because it encourages the addition of physical capital, such as machinery and equipment, as well as improving the quality of the workforce through training and education. In addition, investment also encourages the adoption of new technologies that improve efficiency and productivity. Thus, investment in various forms is the key to accelerating the pace of economic growth.

Investment plays an important role as an indicator in driving economic growth and national development, which is positively correlated with the improvement of social welfare. This is because investment plays a role in capital accumulation, both in the form of physical capital such as infrastructure and production machinery, as well as human resources through improving labor skills. This accumulation of capital encourages increased production capacity, technological innovation, and economic efficiency, which ultimately contributes to economic growth. High economic growth will create jobs, increase national income, and expand people's access to goods and services, thereby improving the welfare of the community as a whole. In addition, investment can also improve the quality of human resources through the transfer of knowledge and technology, as well as encourage the development of infrastructure that supports economic and social activities. Thus, investment is the main driving force in achieving sustainable national development and improving people's welfare (Karisma et al., 2021).

According to Saragih, (2022) investment is a vital instrument in the accumulation of capital or capital stock of a country or region. The availability of adequate capital stocks will determine the capacity of the economy to produce goods and services. Through investment,

there is an increase in production factors, such as infrastructure, technology, and human resources, which in turn will increase economic output.

The Bengkulu-Taba Penanjung Toll Road is part of the Bengkulu-Lubuk Linggau Toll Road project that connects Bengkulu with Central Bengkulu Regency. Investment in toll roads is important because it improves regional connectivity and encourages economic growth in the region. The 17.6-kilometer toll road was built with a SOE assignment scheme to PT Utama Karya with an investment value of Rp 1.604 trillion. In 2023, the Indonesia Investment Authority (INA) acquired the Bengkulu-Taba Penanjung part of Utama Karya, marking the influx of investment from APG Asset Management and the Abu Dhabi Investment Authority (ADIA). This investment is expected to improve services and support the development of other toll roads in Sumatra.

The object of this research is the influence of investment on economic growth in Indonesia: Economic and Legal perspectives, with a case study on the Bengkulu-Taba Penanjung Toll Road. This study aims to analyze the impact of infrastructure investment, especially toll road construction, on regional economic growth in Bengkulu. Based on the description of the background above, the researcher is interested in researching how the investment of the Bengkulu-Taba Penanjung Toll Road affects economic growth in Bengkulu and Taba Penanjung and how the perspective of Economics and Investment Law on the influence of economic growth in Indonesia.

METHOD

The method used in this study adopts a quantitative approach to examine the causal relationship between independent and dependent variables and is supported by the normative juridical method. The independent variables studied include foreign investment and domestic investment. The dependent variable that is the focus of the research is economic growth in Indonesia. The quantitative approach was chosen because this study aims to measure and analyze the influence of independent variables on dependent variables objectively through the collection of numerical data and the application of statistical methods.

RESULTS AND DISCUSSION

Finding

Population and sample

To find out the number of respondents in the study, it is necessary to know the number of population as follows: Population according to Asrulla dkk., (2023) are all elements in the research including objects and subjects with certain characteristics and characteristics. Population can be divided into three, population based on number, namely limited population and unlimited population, based on its nature, namely homogeneous population and heterogeneous population, and based on other differences, namely target population and survey population. The population in this study is the entire community that uses the Bengkulu-Taba Penanjung toll road.

A sample is a part of the population or a representative of the population that is studied and taken as a data source and can be representative of the entire population or the sample is part of the number and characteristics that the population has (Asrulla dkk., 2023). This study uses incidental sampling techniques 38 39. A good incidental sampling technique is used if the number and characteristics of the population are not known in advance. The number of

samples as respondents must be adjusted to the number of indicators used in the questionnaire, assuming $n \times 10$ variables (indicators) observed, and $n \times 10$ variables (indicators) observed. The number of indicators in this study is 10 which is used to measure one bound variable and 2 independent variables, so number of samples used in this study is:

$$\begin{aligned} \text{Sample} &= \text{Number of Indicators} \times 10 \\ &= 6 \times 10 \\ &= 60 \end{aligned}$$

The collection of primary data in this study was carried out through the distribution of questionnaires to companies that have received investment, both from foreign and domestic sources. The questionnaire used was closed with a Likert scale of 1-5, which allowed respondents to express their level of agreement with a series of statements, ranging from strongly disagreeing to strongly agreeing.

Likert Scale

Choice of Answer	Score
Strongly disagree	1
Disagree	2
Neutral	3
Agree	4
Strongly agree	5

The analysis techniques used:

Simple linear regression

Simple linear regression analysis in this study, aims to measure the strength of support between two variables, as well as show the direction of the relationship between dependent variables and independent variables, the simple regression equation is formulated as follows:

$$Y = a + bX$$

Information:

Y = economic growth

a = Simple regression constant

b = Regression coefficient

X = Investment

Test Assumption Classic

- 1) The normality test aims to test whether in the regression model, the dependent variable, the independent variable or both have a normal distribution or not.
- 2) The multicollinearity test aims to test whether correlations between independent variables are found in the regression model.
- 3) The heterokedasticity test aims to test whether in the regression model, there is an imbalance of variance from residual from one observation to another.

t-Test

t-test essentially shows how far independent variables individually affect the variation of the bound variable. Formula hypothesis:

Ho: $b_i = 0$, meaning that the free variable is not a significant explanation of the bound variable; Ha: $b_i \neq 0$, meaning that the independent variable is a significant explanation of the bound variable.

F Test

F test was carried out to determine the influence of independent variables together on the bound variables. Formulation of the hypothesis tested: $H_0: b_1 = b_2 = 0$, meaning together there is no influence independent variable to bound variable. $H_a: b_1 \neq b_2 \neq 0$, meaning together there is an influence independent variable to bound variable.

The basis for decision-making is to use significance probability numbers, namely: If the probability of significance > 0.05 , then H_0 is accepted, and H_a is rejected. If the probability of significance < 0.05 , then H_0 is rejected, and H_a is accepted.

Discussion

This study shows that toll road investment, especially the Bengkulu-Taba Penanjung Toll Road, has a significant positive impact on economic growth in Bengkulu. This can be seen from the increase in accessibility, travel time efficiency, and regional connectivity that encourages economic growth in the Medan and Binjai areas. Although there are potential negative impacts, such as land eviction, the overall benefits of toll road construction are greater for the community. Therefore, it is recommended that local governments continue the development of toll road infrastructure, investors increase participation in development projects, and communities take advantage of the existence of toll roads to increase productivity. The collaboration of all stakeholders is expected to optimize the benefits of toll road investment for economic growth and community welfare in Bengkulu.

Increasing the effectiveness of investment on the Bengkulu-Taba Penanjung Toll Road in encouraging economic growth and community welfare in Bengkulu is very relevant. Steps that can be taken include improving supporting infrastructure such as improving local road access, efficient public transportation, and other supporting facilities. In addition, the development of MSMEs around toll roads is needed through skills training, access to affordable capital, and assistance in product marketing. It is also important to carry out periodic monitoring of the social and economic impact of toll roads to ensure that the benefits are felt equally by the community. Finally, maintaining transparency and accountability in project management will increase public and investor trust and ensure the efficient and effective use of funds. By adopting these suggestions, it is hoped that investment in the Bengkulu-Taba Penanjung Toll Road can have a significant impact in encouraging economic growth and community welfare in Bengkulu.

Indonesia's economic growth

Economic growth is the process of increasing the production capacity of goods and services in an economy, generally measured through an increase in real Gross Domestic Product (GDP). This growth reflects an expansion of economic activity that generates more goods and services, creates jobs, and increases per capita income. The driving factors are diverse, including natural resources, the quality of human resources, capital investment, technological advancements, and supportive government policies. The main goals of economic growth are to improve people's welfare, reduce poverty, and increase state revenue to provide better public services.

According to research by Anggarini, (2021) Economic growth is the process of increasing output in the long term, which is measured through an increase in GDP and per capita income of the population. The development of the tourism sector, especially MSMEs in tourist areas, can encourage economic growth by creating demand for goods and services,

as well as attracting investment. Regions that have high investment in the tourism sector can absorb more labor, which ultimately increases regional economic growth.

According to Mayasari & Mahinshapuri, (2022) Economic growth is an important indicator that shows the development of a country in increasing the production of goods and services. Positive economic growth reflects an increase in economic activity, job creation, and an increase in people's income.

Indonesia's economy is one of the largest in the world, with GDP based on the purchasing power balance (KKB) being the 7th largest. Although it is a developing country, Indonesia is classified as a newly industrialized country and a member of the G-20. Indonesia's economy is supported by various sectors, ranging from agriculture, industry, to services. Indonesia's economic growth is quite stable, although it still faces challenges such as poverty and unemployment. The government continues to strive to improve the economy through various policies, including encouraging investment and exports. With great natural resource potential and markets, Indonesia has bright economic prospects in the future

Indonesia's Economic Growth Factors

Research-based (Regina, 2022) There are several factors that contribute to Indonesia's economic growth, including: a. **Technological Changes:** Increased use of technology can increase productivity and efficiency in the production process, thereby encouraging economic growth; b. **Capital-Labor Ratio:** A high ratio indicates a capital-intensive production process, which encourages investment and improves the quality of human resources, thus having an impact on increasing output and economic growth; c. **Education Level:** The higher the level of education, the higher the quality of the workforce, which will ultimately increase productivity and encourage economic growth; d. **Population Density:** Indonesia's high population density, with a large composition of the productive age population, drives demand for goods and services, creates a large labor market, and increases productivity, thus having a positive impact on economic growth.

Definition of Investment

Investment is the activity of investing capital (money or assets) in the hope of making a profit in the future. This capital can be invested in various instruments, such as stocks, bonds, mutual funds, property, and gold. The main purpose of investing is to increase the value of assets, generate passive income, and protect the value of assets from inflation. Investments contain risks, have a specific time frame, and must be tailored to each individual's risk profile. Diversification (spreading investments) can help reduce risk. Before starting investing, it's important to understand your financial goals, determine your risk profile, study investment instruments, and choose a reliable investment platform.

Infrastructure investment is an investment in building public facilities such as roads, bridges, power plants, and telecommunication networks, which aims to support economic growth, improve the quality of life, and reduce regional disparities. These investments generally require large capital, are long-term, and have a relatively slow return on investment, but provide a wide social and economic impact on society. Examples include the construction of toll roads, power plants, and the development of internet networks, all of which are important foundations for economic development and improving the quality of life.

Kind Hasanudin dkk., (2021) Investment is one of the alternatives to get effective profits, both in real and non-tangible forms. One type of investment that keeps up with the times is investment in the capital market. Capital market investments can be made on various

types of investment instruments, such as stocks, warrants, options, and futures. However, investing in the capital market has quite high risks, especially financial assets. An investment alternative that promises high income with high risk is investment in the form of stocks.

According to research by Safryani dkk., (2020) Investment is the activity of placing capital, either directly or indirectly, in an asset in the hope of generating profits in the future. These benefits can be in the form of increased asset value, passive income, or other benefits. Investing involves certain risks, which means that there is a chance that the invested capital will not return or even decrease in value. However, with a good understanding, proper risk management, and adequate financial literacy, investing can be an effective instrument to improve one's financial well-being

Investment Indicators

According to research Zaharah dkk., (2023) There are several indicators, including: a. Increased investment can increase the production capacity of goods and services, thereby increasing GDP and economic growth; b. Investment amount: the data source can be from the Investment Coordinating Board (BKPM), or the Central Statistics Agency (BPS); c. Investment growth: economic growth caused by investors

Economic Perspectives and Investment Law on the Influence of Economic Growth in Indonesia

Economic development based on democratic principles reflects the implementation of an economy based on the principle of populism, as stipulated in Article 33 of the 1945 Constitution. This principle is the philosophical foundation and reference in making regulations such as Law No. 25 of 2007 concerning Investment. Investment and investment activities are important aspects of a country's economic growth because a country that wants to grow requires sufficient capital. With a relatively low per capita income, Indonesia managed to raise capital quickly to catch up with the economy and increase its income. Investment activities can only be realized if the supporting factors are met, such as overcomeable investment arrangements, effective coordination between central and regional government agencies, efficient bureaucracy, legal certainty in investment, healthy economic competition, and a conducive working environment and adequate protection.

Investment plays an important role in driving a country's economy, with capital formation increasing production capacity, national income growth, and the creation of new jobs, which in turn increases employment opportunities. Investment activities can be considered as expenditures in the capital industry to purchase equipment and equipment to improve the production skills of goods and services, which supports the economic ecosystem.

Investment has very important implications in the economic and legal context for Indonesia's economic growth. From an economic point of view, investment in Indonesia can act as a catalyst in moving the wheels of the economy. Massive and targeted investment can increase productivity, expand jobs, and encourage innovation in various sectors of the economy. This can result in significant economic growth, which will ultimately have a positive impact on the welfare of the community.

From a legal perspective, the existence of clear and supportive regulations is essential in creating a conducive and attractive investment environment for investors. Legal certainty, protection of investor rights, and efficiency in resolving investment disputes are key elements that can increase investor confidence, both domestic and foreign. With a strong legal

framework, investors will feel safer and motivated to make long-term investments in Indonesia.

Therefore, through a comprehensive approach from an economic and legal perspective, investment in Indonesia has great potential to become one of the main drivers of the country's economic growth. With policies that support sustainable and inclusive investment, as well as adequate legal protection, Indonesia can create an attractive and sustainable investment environment, which will ultimately provide great benefits to Indonesia's economic growth and people's well-being

CONCLUSION

Investment, both foreign and domestic, plays an important role in Indonesia's economic growth. Investment not only increases capital, but also brings new technologies, creates jobs, and increases exports. Infrastructure development, such as the Bengkulu-Taba Penanjung Toll Road, is a clear example of how investment can drive regional economic growth. Despite this, Indonesia still faces challenges such as economic inequality and corruption that need to be overcome to achieve sustainable economic growth. From an economic and legal point of view, investment in Indonesia has great potential to be a major driver of the country's economic growth. Supportive policies, adequate legal protection, and a conducive investment environment are essential to attract sustainable and inclusive investment.

BIBLIOGRAPHY

- Anggarini, DR (2021). The contribution of MSMEs in the tourism sector to the economic growth of Lampung Province in 2020. *Scientific Journal of Economics and Business*, 9(2), 345–355. <https://jurnal.unived.ac.id/index.php/er/indexDOI:https://doi.org/10.37676/ekombis.v9i2.1462>
- Asrulla, Risnita, Jailani, MS, & Jeka, F. (2023). Population and Sampling (Quantitative), as well as Selection of Key Informants (Qualitative) in a Practical Approach. *Journal of Tambusai Education*, 7(3), 26320–26332.
- Debataraja, L. R., Suraji, A., & Ophiyandri, T. (2020). Infrastructure Investment Risk Analysis Based on Fuzzy Analytical Hierarchy Process (F-AHP). *Journal of Infrastructure & Facilities Asset Management*, 4(2), 121–132. <https://doi.org/10.12962/j26151847.v4i2.6886>
- Dimas Hariang Kencana & Rani Apriani (2021). Investment Law Perspective on the Influence of National Economic Growth and Development. *Justitia Journal: Journal of Law and Humanities*, Vol 8 No. 4 of 2021
- Hasanudin, Nurwulandari, A., & Safitri, R. K. (2021). THE EFFECT OF INVESTMENT CAPITAL MARKET KNOWLEDGE, MOTIVATION AND TRAINING ON INVESTMENT DECISIONS MEDIATED BY INVESTMENT INTEREST (Study. *JIMEA / MEA Scientific Journal (Management, Economics, and Accounting)*, Vol. 5 No.(3), 494–512.
- Hidayat, N., Xanical, A.H., Nazly, M., Karo-Karo, UR, & Gaol, LAR (2023). The Effect of Social Impact on the Toll Road Construction Project in Medan – Binjai. *Journal of Community Service of the Archipelago*, 4(4), 3310–3307.

- Kambono, H., & Marpaung, EI (2020). The Influence of Foreign Investment and Domestic Investment on the Indonesian Economy. *Journal of Maranatha Accounting*, 12(1), 137–145. <https://doi.org/10.28932/jam.v12i1.2282>
- Karisma, A., Subroto, WT, & Hariyati, H. (2021). The Effect of Education and Investment on Unemployment in Java. *Journal of Economics, Business and Accounting (COSTING)*, 5(1), 441–446. <https://doi.org/10.31539/costing.v5i1.2620>
- Mayasari, F., & Mahinshapuri, YF (2022). The Effect of Inflation on Economic Growth in Indonesia. *JEB17 : Journal of Economics and Business*, 7(02), 119–132. <https://doi.org/10.30996/jeb17.v7i02.7362>
- Regina, T. (2022). Analysis of factors that affect economic growth in Indonesia. *Complexity: Scientific Journal of Management, Organization and Business*, 11(1), 36–45. <https://doi.org/10.56486/kompleksitas.vol11no1.201>
- Safryani, U., Aziz, A., & Triwahyuningtyas, N. (2020). Analysis of financial literacy, financial behavior, and income in investment decisions. *Scientific Journal of Unitary Accounting*, 8(3), 319–332. <https://doi.org/10.37641/jiakes.v8i3.384>
- Saragih, HS (2022). The influence of international trade and investment on Indonesia's economic growth. *Journal of Social Research*, 1(5), 377–383. <https://doi.org/10.55324/josr.v1i5.37>
- Zaharah, R., Nur, E.R., & Santoso, R. (2023). The Influence of Investment on Economic Growth and Development in the Perspective of Islamic Economics. *Basics*, 14(02), 70–80. <https://doi.org/10.24042/asas.v14i02.15697>