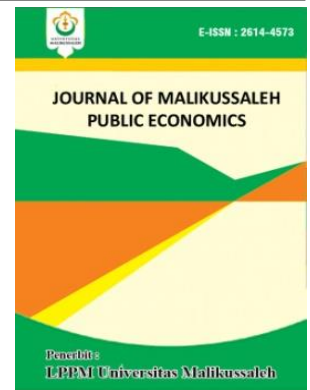


THE EFFECT OF FOREIGN INVESTMENT, GOVERNMENT EXTERNAL DEBT, AND GOVERNMENT EXPENDITURE ON GROSS DOMESTIC PRODUCT IN INDONESIA



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ARTICLE INFORMATION ABSTRACT

Keywords:

Foreign Investment, External Debt, Government Expenditure, Gross Domestic Product.

This study aims to determine the influence of foreign investment, foreign debt, and government spending on Gross Domestic Product in Indonesia during 2005-2019. The data analysis method used in this study is a multiple regression analysis models using the Eviews application. The results show partially (t-test) show that foreign investment, foreign debt, and government expenditure have a positive and significant effect on gross domestic product. Then, the correlation coefficient or R-Squared value is 0.736793 or 73.67%. It shows that there is a strong correlation between the independent variables and the dependent variable. It concludes that foreign investment, foreign debt, and government spending have a positive and significant effect on the provincial gross domestic product in Indonesia from 2005 to 2019.

1. INTRODUCTION

The problem that often occurs in the economic development of developing countries, including Indonesia, is limitations, meaning that the state needs a large enough fund to carry out national development as an effort to catch up with developed countries' development while the state has not been able to provide development funds itself. One of the potential sources of financing for the state is investment. Apart from trying to find domestic sources of financing, the government is also trying to attract foreign investors (Suliswanto, 2010)

Foreign Investment (PMA) is a flow of capital from abroad that flows to the private sector. Foreign investment may come in various forms such as direct investment, portfolio investment, private capital flows, etc. Foreign capital not only affects the financial sector but also encourages skills and modernization in society. Before investing in a country, investors have to consider various factors such as the level of profits to be obtained, interest rates, forecasts of future economic conditions, scientific progress, knowledge and technology, the level of national income and its changes, as well as the

profits obtained by the company (Sukirno, 2012).

Foreign Debt (ULN) itself is a financing instrument that is always used by Indonesia to cover its financing deficit (Muflihul, 2016). Apart from Foreign Investment (PMA), External Debt (ULN), government spending also greatly affects economic growth in Indonesia. Government spending is government spending on capital goods, consumer goods and services. It cannot be denied that government spending is an important factor in the economy. When the government is used for productive activities it will help the people's economy (Sukirno, 2012)

Based on data from the Indonesian Central Bureau of Statistics, data on Foreign Investment, External Debt and Government Expenditure or the 2015-2019 period can be seen in table 1.1 below:

Table 1.1

Foreign Investment, External Debt, Government Expenditure and Gross Domestic Product in Indonesia for the period 2015-2019

Years	PMA (Million USD)	ULN (Million USD)	PP (Billion Rp)	PDB (Billion Rp)
2015	15.043,73	137,396	750,724,511,067	2.272.929,2
2016	22.352,70	184,875	808,255,481,959	2.385.186,8
2017	23.209,00	177,318	813,909,449,880	2.508.971,9

2018	22.716,83	183,197	837,193,864,933	2.638.885,4
2019	21.567,35	198,633	868,050,449,468	2.769.908,7

Source: BPS, 2020

Based on the data in Table 1.1 above, it can be seen that foreign investment in Indonesia in 2015-2019 experienced fluctuating conditions. In 2018, when foreign investment in Indonesia decreased by USD 22,166.83 million from the previous year amounting to USD 23,209.00 million, the gross domestic product in Indonesia in 2018 also increased by Rp. 263,885.4 billion from the previous year of Rp. 250,897.9 billion.

If a country's investment increases, its economic growth will also increase and vice versa, if investment is low, economic growth will slow down (Sulistawati, 2012). This theory is in line with the results of research conducted by Rizki et al. (2016) which found that foreign investment has a positive and significant effect on economic growth in Indonesia. Furthermore, research conducted by Milliarso (2017) also shows that foreign direct investment has a positive and significant effect on economic growth in eight ASEAN countries.

Then, the variable External debt in Table 1.1 also experiences fluctuating conditions. In 2017, when Indonesia's foreign debt decreased by USD 177.318 million from the previous year amounting to USD 184.875 million, on the side of Indonesia's gross domestic product in 2017, it increased by Rp. 250,897.9 billion from the previous year amounting to Rp. 2,385,186.8 billion.

Foreign debt itself is a financing instrument that is always used by Indonesia to cover its financing deficit. This is because this source is relatively available, both in the form of loans and securities. This makes debt inseparable from the needs of the APBN and the availability of the APBN, the funds available in a country are available in high amounts, so that the existence of the APBN can affect economic development in a country (Atmadja, 2000). This theory is supported by the results of research by Rahma (2017) which found that foreign debt has a positive and significant effect on economic growth in Indonesia's gross domestic product.

Furthermore, the government expenditure variable in Table 1.1 has increased every year, on the side of Indonesia's gross domestic product in Table 1.1 it has also increased every year. In general, in developing countries like Indonesia, the government plays an important role in the economy.

Practically speaking, government spending will affect economic activity, not only because government spending can create a development process but also as a component of aggregate demand that can add to domestic products (Soleh, 2012). Fitriani's research (2018) concluded that government spending has a positive and significant effect on the economic growth of DI Yogyakarta Province.

This research aims to determine the Effect of Foreign Investment, Government External Debt and Government Expenditures on Gross Domestic Product (GDP) Indonesia.

Furthermore, the second part of his research will discuss the theoretical review, the research method will be discussed - in the third part. Then the fourth part will discuss the result of the research and discussion. The fifth section discusses the conclusions and suggestions.

2. THEORETICAL BASIS

Gross domestic product

According to Manurung (2008), one method of calculating gross domestic product is the expenditure method. According to the expenditure method, the value of GDP is the value of total expenditure in the economy during a certain period.

Foreign investment

According to Salim in Rizky (2016), the definition of foreign investment is as follows; Foreign investment is a transfer of capital, whether real or not real from one country to another, the purpose of which is to be used in that country in order to generate profits under the supervision of the owner of the capital, either in total or in part. or investment, with the aim of carrying out business activities with the composition of wholly foreign capital or joining forces with domestic investors.

Government External Debt

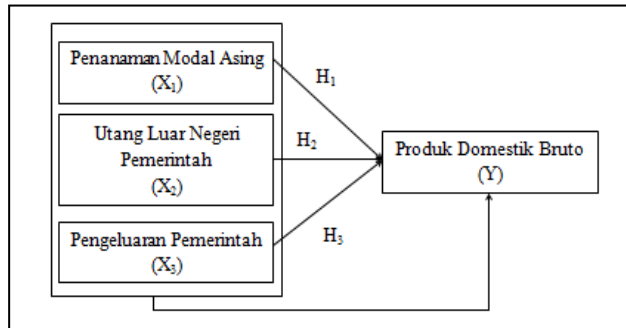
According to the theory by Krugman in Rotinsulu (2016), they argue that a debt overhang occurs in a situation of large amounts of debt and the potential present value of debt payment sources is insufficient for this debt which in turn slows down the country's economic growth. external debt is required at a reasonable level. The increase in foreign debt basically will increase economic growth at a predetermined rate. However, if it has passed

this limit, it will have a negative impact on economic growth (Heri. 2012)

Government Expenditure

Government expenditure is government spending on capital goods, consumer goods and on services (Sukirno, 2012).

Conceptual framework



Picture. Framework Conceptual Research

This research uses two research variables, namely dependent variables, namely variables that are influenced or insured by other variables. The dependent variable used in this study is the Gross Domestic Product (Y). Independent Variable, which is a variable that is independent and not affected by other variables. The independent variables are Foreign Investment (X1), Government External Debt (X2), and Government Expenditure (X3).

Research Hypothesis

Based on the conceptual framework above, the hypotheses in this study are:

H1 = Foreign investment affects the Gross Domestic Product (GDP) in Indonesia

H2 = Government External Debt affect the Gross Domestic Product (GDP) in Indonesia

H3 = Government expenditure affects the Gross Domestic Product (GDP) in Indonesia

3. RESEARCH METHOD

Data and Sources Data

This research uses secondary data, which means secondary data is data that has been processed by other parties. The data used is 2005-2019. The main data in the writing of these proposals comes from the Central Bureau of Statistics and the Ministry of Finance.

Definition Operationalization Of a variable

The operationalization of variables is an indication of how the variables in the study are measured. To clarify and facilitate understanding of the variable to be analyzed in this study, it is necessary to formulate the operationalization of the variable, namely as follows:

a. Gross Domestic Product (GDP)

Gross Domestic Product (GDP) is the total national total income and expenditure on the output of goods and services. Gross domestic product is often considered the best measure of economic performance. The GDP figure summarizes the economic activity of a country in currency units in a certain period (Puspitasari, 2016). In his study, GDP uses input data based on constant prices according to expenditure with the unit of counting billion rupiah (IDR).

b. Foreign Investment (PMA)

Foreign Investment is an activity of investing to conduct business in the territory of the Republic of Indonesia which is carried out by foreign investors, either using foreign capital entirely or joining forces with domestic investors. PMA is calculated using the unit of million USD

c. Foreign debt

External debt is a portion of a country's total debt obtained from creditors outside that country. The recipient of foreign debt can be the government. Foreign debt is calculated using units of million USD.

d. Government Expenditure Government expenditure.

is the total expenditure made, namely expenditure which includes consumption and investment, in this study the government expenditure data uses an indicator of the type of realization of provincial government expenditure throughout Indonesia according to the type of expenditure. Government expenditure is calculated in billions of rupiah (Rp).

Data analysis method

This study uses multiple linear regression analysis of time-series data. Time series is data consisting of one or more variables that will be observed in a certain period of time, namely for 15 years from 2005-2019 (Gujarati and Porter, 2012). Regression analysis aims to measure the strength of the relationship between two or more variables and show the direction of the relationship between the

dependent variable and the independent variable used (Mahendra, 2016). The results of the regression analysis are in the form of a regression coefficient for each independent variable. This coefficient is obtained by predicting the value of the dependent variable with an equation. The regression equation in this study is as follows:

$$PDB_t = \alpha + \beta_1 \text{LOGPMA}_{1t} + \beta_2 \text{LOGULNP}_{2t} + \beta_3 \text{LOGPP}_{3t} + e_t$$

Where:

PDB _t	=	Gross Domestic Product
LOGPMA ₁	=	Investment Asing
LOGULNP ₂	=	Government External Debt
LOGPP ₃	=	Government Issued
β	=	Regression Coefficient
α	=	Constant
e	=	Error Term
t	=	amount of time

Normality test

According to Gujarati and Porter (2013: 127-128), the normality test aims to test whether in the regression model confounding or residual variables have a normal distribution or not. In addition, with the normality test we can use the results of the t and F statistical tests because it assumes that the residual value follows a normal distribution. In this study we will use the J-B Test:

1. If J-B count < value χ^2 (Chi-Square) table, then the residual variables are normally distributed.
2. If the J-B count > the value of χ^2 (Chi-Square) table, then the residual data in the variables are not normally distributed.

Classic assumption test

Multikolinearity Test

Multicolinearity test which aims to test whether the regression model found a correlation between independent variables (independent). A good regression model should not have a correlation between independent variables (Rahmana, 2017).

Heteroscedasticity Test

Heteroscedasticity test aims to test whether the regression model has confounding variables that are not constant or heteroscedasticity. A good regression model is homoscedasticity or heteroscedasticity don't occur. Symptoms of heteroscedasticity are more common in cross-section data (Muliadi, 2015).

Autocorrelation Test

Autocorrelation test is a test conducted to see whether the disturbance variable has a correlation between one variable and another. According to (Widarjono, 2018), the autocorrelation test is used to find out whether in the linear regression model there is a correlation between the confounding variable of one observation with another observation or known as autocorrelation.

Hypothesis test.

Partial Influence Test (t test)

The t test is a type of statistical test used to find out how far the influence of the independent variable can explain the dependent variable individually. The t test was performed with a confidence level of 95% and the analysis error rate (α) 5% the degree of freedom used was $df = n - k$. This result will be used to find out the truth of the hypothesis.

Simultaneous Influence Test (F-Test)

Simultaneous test is used to test the influence of all independent variables on the dependent variable.

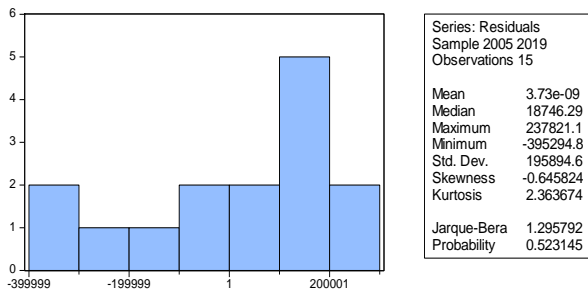
Coefficient of Determination (R² Test)

The coefficient of determination (R²) measures the ability of the model to explain the variation in the dependent variable. The coefficient of determination (R²) is expressed as a percentage whose value ranges from $0 < R^2 < 1$. A small R² value means that the ability of the independent variables to explain the variation of the dependent variables is very limited (Ghozali, 2011): A value close to 1 (one) means the variable - the independent variable provides almost all the information needed to predict the variation in the dependent variable.

4. DISCUSSION

Normality test

The data normality test, to see the residual normality, the writer sees with the Jarque-Bera normality can be detected by looking at the histogram image, but often the pattern does not follow the normal curve, so it is difficult to conclude. It's easier if you look at the Jarque-Bera coefficient and its probability. These two numbers are mutually supportive (Hartomo, 2010).



Source: Eviews10 (data Proses 2020).

Pictures . Histogram – Normality Test

Normality test to test whether the standardized residual values in the regression model are normally distributed or not. How to do a normality test can be done with a normal probability plot graph analysis approach. In this approach, the residual value is normally distribute if the line (dots) that describes the actual data will follow or move closer to the diagonal line. Based on the results of the residual normality test above, the jarque bera value is 1.295792 with a p value of 0.523145 where > 0.05 so that the normality test is normaly distributed.

Multicollinearity Test

Multicollinearity relates to situations where there is a linear relationship that is either certain or near certain between the independent variables (Gujarati, 2003). This multicollinearity aims to determine whether each independent variable is linearly related to the regression equation model used. The multicolonierity test results can bee sen in table below:

**Table
Multicolonierity Test**

	PMA	ULN	PP
PMA	1000000	0.375956	0.031292
ULN	0.375956	1000000	0.466586
PP	0.031292	0.466586	1000000

Source: Eviews10 (data processed for 2020).

Based on Table 4.5 above, it shows the multicolonierity test has a value of < 0.80 , which means that the data generated on PMA, ULN and PP does not occur multicolonierity.

Heterokedastisitas

The heteroscedasticity test aims to test whether in the regressiion modle theree is an inequality of variants from one observtion to anoother (Ghozali, 2005).

1. If the OBS * R-Squared $< X^2$ table, then the residual of this model is free from autocorrelation indication with a probability value > 0.05 .

2. If the OBS * R-Squared $> X^2$ table, then this model is not free from autocorrelation indication with a probability value < 0.0

**Table
Heteroscedasticity Test**

Heteroskedasticity Test: Glejser

F-statistic	0.068720	Prob. F(3,11)	0.9754
Obs*R-squared	0.275954	Prob. Chi-Square(3)	0.9645
Scaled explained SS	0.224735	Prob. Chi-Square(3)	0.9735

Source: Eviews10 (data processed for 2020).

Base on the results of the heteroscedasticity test using the Glejser method. The chi-Square prob value of 0.9645 is above 0.05, so it can be conclud that ther is no heterodasticity.

Autocorrelation Test

Autocorrelation aims to se whether n the regressiion model there is a correlation or relationship between confounding errors in the current year and the previous year. The autocorrelation test used in this study is by looking at the Durbin Watson value. If the DW value $> DU$ and the value $(4-DW) > DU$ then there is no autocorrelation disorder. If the value of DW $> DU$ and value $(4-DW) > DU$, there is no autocorrelation disorder. The following are the results of the autocorrelation test in the research below:

**Table
Autocorrelation Results**

Variabl	Coefficient	Std. Error	t-Statistic	Prob.
C	11937046	5452306.	2.189357	0.0510
LOG(PMA)	206119.0	88299.66	2.334312	0.0396
LOG(ULN)	580029.7	211746.5	2.739264	0.0193
LOG(PP)	1812580.	588213.8	3.081499	0.0104

R-squared	0.736793	Mean dependent var	2331043.
Adjusted R squared	0.665009	S.D. dependent var	381833.2
S.E. of regression	220999.0	Akaike info criterion	27.67288
Sum squared resid	5.37E+11	Schwarz criterion	27.86170
Log likelihood	-203.5466	Hannan-Quinn criter.	27.67087
F-statistic	10.26406	Durbin-Watson stat	2.013301
Prob(F-statistic)	0.001612		

Source: Eviews10 (data processed for 2020).

Based on the results of the autocorrelation test above, it can be seen that the DW value is 2.013301, the DU value is = 1.9774, which is obtained from the DW table, $\alpha = 5\%$ on K-4 and n 15 Therefore, $DW > DU$ and $(4-DW) > DU$ or $(2.013301 > 1.9774)$ and $(1.986699 > 1.9774)$. So it can be concluded in this studi there is no autocorrellations disorder.

Multiple Linear Regression Analysis

This study uses time-series data regression analysis. Time series data is data consisting of one or more variables that will be observed during a certain period of time, namely for 15 years from 2005-2019. The results of variable regression in the study can be seen in table 4.5 below:

Table
Research Regression Results

Dependent Variable: PDB
Method: Least Squares
Date: 09/08/20 Time: 13:53
Sample: 2005 2019
Included observations: 15

Variable	Coeffi	Std. Err	t-Statist	Prob.
C	11937046	5452306.	2.189357	0.0510
LOG(PMA)	206119.0	88299.66	2.334312	0.0396
LOG(ULN)	580029.7	211746.5	2.739264	0.0193
LOG(PP)	1812580.	588213.8	3.081499	0.0104

R-squared	0.736793	Mean depen var	2331043.
Adjusted R-squared	0.665009	S.D. depent var	381833.2
S.E. of regression	220999.0	Aka info criterion	27.67288
Sum squar resid	5.37E+11	Schwarz criterion	27.86170
Log likelihood	-203.5466	Hannan-Quinn criter.	27.67087
F-statistic	10.26406	Durbin-Watson stat	2.013301
Prob(F-statistic)	0.001612		

Source: Eviews10 (2020).

Based on the data from the table above, if included in the research model, the multiple linear regression equation is as follows:

$$PDB_t = 11937046 + 206119LOGPMA_t + 580029,7LOGULN_t + 1812580LOGPP_t + \varepsilon_t$$

From the regression model equation above, the research results can be stated as follows:

1. The equation above is a time series data regression model, it can be explained that the constant value of the figure is 11937046, it shows that if the PMA, ULN and PP variables do not change or have a constant value, then the GDP value has a value of Rp. 11,937,046 billion.

2. The PMA regression coefficient (X1) is 206,119, which means it has a postive value. If it is assumed that other independent variables are constant, this means that every 1% increase in FDI will increase GDP by Rp. 206,119 billion and vice versa.
3. The regression coefficient on external debt (X2) is 580029.7, which means it has a postive value. If it is assumed that other independent variables are constant, this means that every 1% increase in external debt will increase GDP by Rp.580.029.7 billion units and vice versa.
4. The resulting regression coefficient PP (X3) is 1812580 which means it has a positve value. If it is assumed that other independent variables are constant, this means that every 1% increase in PP will increase the GDP by IDR 1,812,580 billion units and vice versa.

Hypothesis test Partial Test

To find out whether the independent variables in this study affect the dependent variable individually by performing the t test, namely by looking at the value of t table with t count. If the value of $t_{count} > t_{table}$, the independent variable affects the dependent variable. Following below are the partial test results in this study.

Table
Partial Test Results (t test)

Variabel Bebas	t-statistik	t Tabel	Prob	Ket
PMA	2.334312	2.20099	0.0396	Signifikan
ULN	2,739264		0.0193	Signifikan
PP	3.081499		0.0104	Signifikan

Source: Eviews (2020)

Based on Table 4.9. It can be seen that the PMA variable has a value of t count = $2.234312 > t_{table} = 2.20099$ obtained from $\alpha 5\%$ or (0.025). In addition, the probability of the PMA variable in this study is smaller than the significant level of 0.05 or (0.0396 < 0.05), so accept H_1 and reject H_0 , which means that the PMA variable has a postive and significant effect on regional domestic product in Indonesia.

foreign debt variable has a value of t count = $2.739264 > t_{table} = 2.20099$ obtained from $\alpha 5\%$ or (0.025). Then, the probability of the variable foreign debt in this study is smaller than the significant level of 0.05 or (0.0193 < 0.05) then accept H_2 and reject H_0 , which means that the variable foreign debt has a postive and significant effect on gross domest product in Indonesia.

The government expenditure variable has a value of $t \text{ count} = 3.081499 > t \text{ table} = 2.20099$ obtained from $\alpha 5\%$ or (0.025). In addition, the probability of the government spending variable in this study is smaller than the significant level of 0.05 or (0.0104 < 0.05), so accept H_3 and reject H_0 , which means that the variable government expenditure has a positive and significant effect on gross domestic product in Indonesia.

Simultaneous Test (Test F)

Simultaneous test (F test) is a test of the independent variable as a whole with the dependent variable. To determine whether the independent variable simultaneously affects the dependent variable, namely by looking at the F statistical value. If the value of $F_{\text{count}} > F_{\text{table}}$ then together the independent variable affects the dependent variable. Following are the results of simultaneous testing (F test) in this study.

Table 4.10
Simultaneous Testing Results (F test)

F Statistik	F Tabel	Probabilitas	Keterangan
10.26406	3.59	0.001612	Signifikan

Source: Eviews10 (2020).

The results of the research can be seen in table 4:10 above. Calculation of the value of F_{table} is known to be $df1 = k-1$ which means $df1 = 4-1 = 3$ and $df2 = n-k$ which means $df2 = 15-4 = 11$ means that the value of df is 3; 11. Based on the distribution table, it was found that the F_{table} value was 3.59. The results of statistical calculations show that the value of $F_{\text{count}} = 10.26406 > F_{\text{table}} = 3.59$ with a significance of $0.0016 < 0.05$. This means that jointly Foreign Investment, External Debt and Government Expenditures have a positive and significant effect on Gross Domestic Product (GDP) in Indonesia.

c. Determination Coefficient Test (R²)

The coefficient of determination (R^2) is used to measure how far the model is able to explain the variation in the dependent variable Gross Domestic Product (GDP).

Table
Results of Determination Coefficient Testing (R²) and Correlation

	Coefficient Value
R-squared	0.736793
Adjusted R-squared	0.665009

Source: Eviews10 (2020).

Based on table 4.11 above, the results of the Adjusted R-Squared value in this study amounted to 0.665009, this shows that the ability of the independent variables in causing the dependent variable in this study is 0.665009 or 66.50% while the other 33.50% are influenced by variables outside of this study.

d. Correlation Coefficient Test (R)

Correlation coefficient testing is done to see how big the linear relationship of the independent variable is to the dependent variable. The correlation coefficient value which shows -1 or +1 means that the independent variable has a strong relationship to the dependent variable, on the other hand, if the correlation value is close to zero, the relationship between the variables is very weak.

Based on the table, it can be seen that the correlation coefficient or R-Squared value is 0.736793 or 73.67%, so in this study it can be concluded that there is a strong correlation between the independent variables and the dependent variable.

Discussion

Effect of Foreign Investment on Gros Domestic Product in Province Indonesia.

Based on the research results, it shows that Foreign Investment (PMA) has a positive and significant effect on Gross Domestic Product in the Indonesian Province.

Investment is the first step for development. Based on the Law of the Republic of Indonesia Number 25 of 2007 in Article 1 Paragraph 9 Concerning Investment, foreign investment is an activity of investing to conduct business in the territory of the Republic of Indonesia which is carried out by foreign investors, either fully using foreign capital or jointly with domestic investors. Foreign investment is the most important aspect because it has a potential impact on the development of Gross Domestic Product in Indonesia, this is because foreign investment has better access to the provincial financial market in Indonesia. Therefore, the effect of foreign investment is the reason why developing countries, including Indonesia, want to attract FDI to increase GDP in Indonesia.

The results of this study are in line with research conducted by Salebu (2014) which states that foreign

investment has a positive and significant effect on Gross Domestic Product (GDP). That is the research conducted by Putra and Sulasmiyati (2018) who also stated that foreign investment has a positive and significant effect on Gross Domestic Product (GDP) in the Indonesian Province.

The Effect of External Debt on Gross Domestic Product in the Province of Indonesia.

Based on the results of the study, it shows that the Foreign Debt has a positive and significant effect on the Gross Domestic Product in the Indonesian Province.

The effectiveness of the utilization of External Debt is intended to address the savings or investment gap and balance of payments imbalances to assist developing countries in implementing independent development. Unstable economic conditions in developing countries have forced the government to undertake Foreign Debt as a source of funding. In terms of the balance of payments, External Debt can close the export and import gap, thereby reducing the use of national stocks.

The decline in national stock indicates a deficit so that the government has implemented a foreign debt policy as a substitute for national stock in overcoming the import gap in the balance of payments. Lack of resources in the form of foreign exchange or domestic savings, one of which can be obtained from foreign loans or foreign debt. If the value of the Foreign Debt decreases, it will cause a decrease in productivity. Developing countries like Indonesia use external debt as additional funds in overcoming the state budget deficit, which is caused by financing for national development.

The results of Fatmawati's research (2015) show that the effect of the Indonesian Government's External Debt Value on Indonesia's Gross Domestic Product Value in the short term is insignificant and in the long term has a positive and significant effect. Likewise, research conducted by Rahman (2017) states that Foreign Debt in the Indonesian Province.

The Effect of Government Expenditure on Gross Domestic Product in Provinces Indonesia.

Based on the results of the study, it shows that government spending has a positive and significant effect on Gross Domestic Product in the Indonesian Province.

Government spending is part of fiscal policy, namely a government action to regulate the

running of the economy by determining the amount of government revenue and expenditure each year which is reflected in the APBN document for the national and APBD for regions / provinces. The objective of this fiscal policy is to stabilize prices, output levels and employment opportunities and spur economic growth.

Routine expenditures or expenditures for regional officials include expenditures for personnel, goods, maintenance, official travel, loans along with interest and subsidies. All types of expenditure are consumption expenditures. Meanwhile, development expenditure or public service expenditure is divided according to development sectors which are more of an accumulation of capital stocks. It is hoped that the aforementioned conditions will become a concern for the government to further increase the allocation of development expenditures in order to stimulate economic growth.

Government spending usually reflects government policies in determining its budget. Government spending continues to grow in line with the increase in government activity in the economy which, among others, is caused by changes in the economy such as economic growth, demographic changes, and changes in private sector activities. Thus, the government must be able to play its role in regulating the level of allocation of the use of resources and the distribution of income among consumers so that it can maintain a high level of employment opportunity, a level of price stability and a high rate of economic growth.

The development of the population of regencies / cities in Bengkulu province requires spending on financing as an effort to improve people's welfare. With the increase in government spending, it is expected that the ability to create development facilities and infrastructure will increase, so as to stimulate regional production activities which can further increase the Gross Domestic Product.

The results of this study are in line with research conducted by Zuhroh, (2017) which states that government spending has a positive and significant effect on Gross Domestic Product. Likewise, research conducted by Soleh (2012) states that government spending also has a positive and significant effect on Gross Domestic Product.

5. CLOSING

Conclusion

Based on the research results, it shows that the three regression coefficients are positive and significant for the dependent variable. From the

regression model, it can be further explained as follows:

1. Based on the result of research partially shows that foreign investment has a positive and significant effect on the Gross Domestic Product in the Province of Indonesia.
2. External Debt has a positive and significant effect on the Gross Domestic Product in the Province of Indonesia.
3. Government Expenditure has a positive and significant effect on the Gross Domestic Product in the Province of Indonesia.
4. Based on the result of the research simultaneously shows that foreign investment, foreign debt and government spending have a positive and significant effect on the Gross Domestic Product in the Province of Indonesia.

Suggestion

The suggestions that can be given in this research are:

1. It is necessary for the Government to give maximum focus on sectors that play an important role in increasing gross domestic product, one of which is by making the most of technology and making the withdrawal of foreign debt and government spending more efficient. Because the GDP sector has an important role in the beginning of the revival in a country's economy.
2. For related ministries and the Central Statistics Agency (BPS), it is necessary to update data on time and synchronize data with related agencies in data reporting. So that it will minimize or avoid the impact of mistakes in making a policy by the government or stakeholders and will also make it easier for further researchers to carry out more recent research.

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