

FOREIGN INVESTMENT, DOMESTIC INVESTMENT AND GOVERNMENT EXPENDITURES ON ECONOMIC GROWTH IN INDONESIA FROM AN ISLAMIC ECONOMIC PERSPECTIVE FOR 2019-2023

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ABSTRACT

The issue raised is the imbalance between FDI, DDI, and government spending with the fluctuating economic growth rate from 2019 to 2023. This study aims to analyze the effect of Foreign Direct Investment (FDI), Domestic Investment (DDI), and Government Expenditure on Economic Growth in Indonesia from 2019 to 2023 from an Islamic economic perspective. The method used is a quantitative approach with panel data regression analysis using Eviews 10 software on data from 34 provinces in Indonesia. The results show that the three variables, namely FDI, DDI, and government spending, have a positive and significant effect on economic growth in Indonesia, both partially and simultaneously. From an Islamic economic perspective, economic growth is viewed not only in terms of increased output, but also in terms of justice, welfare, and the benefit of society. Therefore, investment and government expenditure policies should be managed in accordance with the principles of justice and sustainability as taught in Islamic values.

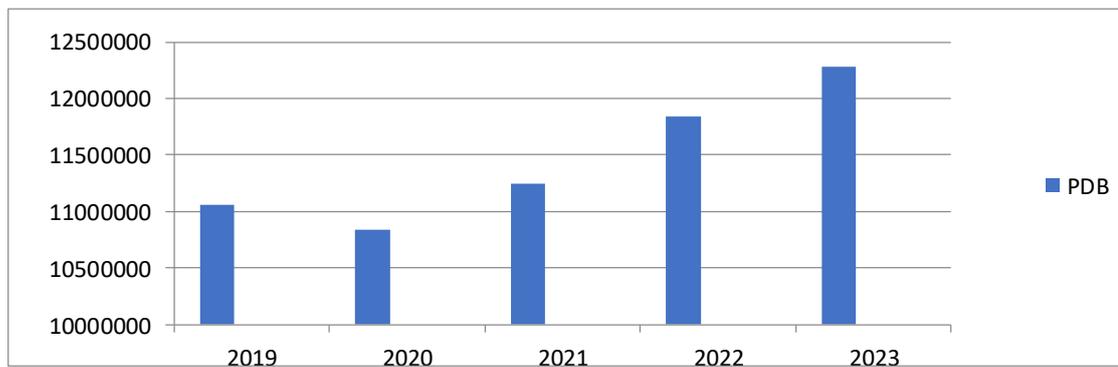
INTRODUCTION

An economy within a country can be said to be experiencing economic growth if there is an increase in the level of goods and services in that country, whereby a country's economic growth can be determined from the value of its Gross Domestic Product (GDP). Countries can also use economic growth as an indicator to assess and evaluate economic development within a country (Saifudin Zuhri & Laili Monita Wulandari, 2019).

Economic growth itself can also be interpreted as a reflection of the impact of government policies implemented in the economic sector, with economic growth being the rate of increase in national income. Thus, economic growth is a process of increasing per capita output in the long term and is a measure of successful development. Development itself can be defined as efforts made to increase the growth of Gross Domestic Product (GDP) at the national level or Gross Regional Domestic Product (GRDP) at the regional level (Fakhrizal et al., 2023).

Islamic economics views economic growth as part of economic development. Economic growth in Islamic economics is the growth of production factors in a proper and sustainable manner that can contribute to human welfare. Meanwhile, economic development in Islam is the process of reducing poverty and creating peace, comfort, and morality in life. With the sole purpose of material welfare in this world and the hereafter, building a pious society, upholding Islamic principles reflected in the behavior of the community, as a basis for producing sufficient needs in terms of quantity and quality, and being able to become a workforce that can create economic balance. Development carried out in the view of Islamic economics must have a long-term goal, namely to improve human welfare and happiness in this world and the hereafter (Tira Nur Fitria, 2016).

During 2019–2023, Indonesia's economic growth rate was relatively stable. However, the COVID-19 pandemic in 2020 caused a sharp contraction in growth before the economy gradually recovered in the following years. Data from the Central Statistics Agency also shows disparities between provinces: for example, Jambi recorded the highest growth of Rp. 169,277.62 million in 2023, while Bengkulu only grew by Rp. 52,051.56 million in 2023. Based on this, the following is a graph of Indonesia's economic growth rate from 2019 to 2023 based on constant 2010 prices:



Source: *Eviews 10 (Data processed, 2025)*

Figure 1 Gross Domestic Product (GDP) Growth Rate Based on Constant 2010 Prices for 2019-2023 (Billions of Rupiah)

Based on Figure 1, we can see the economic growth rate in Indonesia in 2019-2023. According to data obtained from the Central Statistics Agency (BPS), Indonesia's economic growth rate fluctuates. Indonesia's highest economic growth occurred in 2022 at Rp. 118 billion and in 2023 at Rp. 122 billion. The lowest growth occurred in 2020 at Rp. 108 billion due to the impact of the Covid-19 pandemic, which caused economic

contraction or a drastic decline. In recent years, Indonesia's economic growth has only reached Rp. 122 billion. This graph shows the significant impact of the pandemic on the national economy and the recovery process that followed.

One of the indicators that influence economic growth is by increasing investment. In the context of national development, investment acts as a driving force that can boost productivity, create jobs, and strengthen the economic structure. There are two main types of investment that play an important role in driving Indonesia's economic growth, namely Foreign Investment, which is investment originating from abroad and generally enters strategic sectors that require large capital, technology transfer, improvement of worker skills, and production efficiency, and Domestic Investment, which is investment originating from domestic business actors, reflecting the level of confidence of local investors in the stability of the national economy, government policies, and business prospects in Indonesia (Andriani, Muljaningsih, & Asmara, 2021). According to the Harrod Domar Theory, which analyzes the requirements needed for a country to grow and develop its economy in the long term, investment formation plays an important role. Investment has a strategic role in driving economic growth through capital accumulation. This addition of capital will increase national output, create new jobs, and drive community income growth (Riznaky Roosmanita & Jhonny Marbun, 2022).

In addition to foreign investment and domestic investment, one of the factors that also influences economic growth is government spending. The government is one of the economic actors whose role is increasingly important in the modern economy. The government's economic activities are aimed at changing the economic structure through fiscal policy by determining the state revenue and expenditure budget plan. If the economy experiences a slowdown, the government can use fiscal policy instruments to rescue the economy. In this case, government spending is intended for the welfare of the people to boost per capita income and is closely related to economic growth (Mutia Sari et al., 2016). The relationship between economic growth and government spending, or more generally the size of the public sector, is an important object of analysis and debate. The first controversy is whether the public sector can increase the rate of economic growth in the long run (long run steady state growth economy). In general, public spending on physical infrastructure or human capital can increase growth, but financial spending in particular can slow growth (because of the disincentive effect). In general, the impact depends on the trade-off between productive public spending and the distortionary effects of taxation (Kurnia Maharani & S. Isnowati, 2014).

A research gap was found in the differences in the results of previous studies (Kurniawati, Danita Lusi Islami, 2022), which stated that PMA and PMDN had a significant effect on economic growth. However, studies by Asrinda & Setiawati (2022), Nadzir & Muh Setyaningrum Kenda (2020), and Hafidz Meiditambua Saefulloh (2023) show that FDI and DDI do not have a significant effect. Similarly, with regard to government spending, there is a discrepancy between the results of (Supratyoningasih & Yuliarmi, 2022), which states that government spending has no effect on economic growth, and Novi Bella Sinta Dewi & Sudati Nur Sarfiah (2022), which shows that the variable of government spending has a positive effect on economic growth in Indonesia. This study aims to fill this gap with an Islamic economic approach. Previous studies have not extensively examined these macroeconomic variables within the framework of

justice, balance, and sustainability, which are at the core of Islamic economics. Thus, this approach can offer conceptual and practical alternatives in explaining the dynamics of economic growth.

Based on the above phenomena, the researcher is interested in analyzing the factors that influence economic growth in Indonesia, particularly in 34 provinces in Indonesia, from an Islamic economic perspective. There are several issues in this study, namely, is there an influence between Foreign Investment, Domestic Investment, and Government Expenditure on Economic Growth in Indonesia in 2019-2023 according to the Islamic economic perspective? Based on this, this study aims to determine and analyze the extent to which Foreign Investment (FDI), Domestic Investment (DDI), and Government Expenditure influence Economic Growth in Indonesia from an Islamic economic perspective in 2019-2023.

LITERATURE REVIEW

Harrod-Domar Growth Theory

According to Harrod-Domar, every economy must essentially reserve or save a portion of its national income to add to or replace capital goods. To spur economic growth, new investment is needed in the form of a net addition to capital reserves or capital stock. To encourage economic growth, capital formation is needed to add to capital stock. This capital formation process is considered an expenditure that can increase the economy's ability to produce goods, as well as an expenditure that will increase effective demand in society. Furthermore, according to the Harrod-Domar theory, economic growth is determined by savings and investment; if savings and investment are low, economic growth will also be low (Regina, 2022).

Investment

In economic theory, investment is defined as expenditure aimed at replacing and increasing the amount of capital goods and production equipment. These goods will be used by the government to produce goods and services in the future. Investment can be understood as capital investment in one or more assets owned, which usually has a long-term period. The purpose of this investment is to obtain future profits, either in the form of increased income, operational efficiency, or sustainable economic growth (Hakim A & Rosita K, 2020). Harrod-Domar assigns a key role to investment in the economic growth process. In his theory, growing an economy requires the formation of capital as an addition to capital stock. Capital formation is viewed as an expenditure that will increase an economy's ability to produce goods and as an expenditure that will increase the effective demand of the entire community. Investment consists of Domestic Capital Investment and Foreign Capital Investment (PMA), which can be used to build something that is useful for society. The level of community welfare can be used as a benchmark for economic growth (Irwan Pirda Atmi Danisa, 2018).

Government Expenditure

Government spending is part of fiscal policy, which is a policy made by the government to regulate the level of revenue and expenditure each year as stipulated in the State Budget (APBN). Government spending generally influences and impacts the

economy. Government spending is carried out for the purpose of stability in the context of development, so that capital formation occurs in the economic growth rate (Luciana L Nahumuri, 2019). According to John Maynard Keynes, government spending can be a powerful tool to stabilize and drive economic growth, especially in times of recession or when private investment is sluggish. Economic growth is also inseparable from the role of government spending in the public service sector. Local government spending is measured by the total routine expenditure and development expenditure allocated in the regional budget. The greater the productive government spending of a region, the greater the economic level of that region. Too little government consumption spending will harm economic growth, proportional government spending will increase economic growth, and wasteful government consumption spending will hamper economic growth. In general, government spending has a positive impact on economic growth (Hellen et al., 2017).

Research Hypothesis

1. The Effect of Foreign Direct Investment on Economic Growth in Indonesia.

Foreign Direct Investment (FDI) refers to investment activities undertaken by foreign investors to establish or operate businesses in Indonesia. According to Law No. 25 of 2007 concerning Investment, FDI can involve foreign capital entirely or in partnership with domestic investors.

Research conducted by Novi Mela Yuliani, Aufa Badriatil Fuadi, et al. (2023) shows that Foreign Direct Investment has a positive and significant impact on Economic Growth in 34 provinces in Indonesia. This research demonstrates that enhancing economic growth requires effective management of Foreign Direct Investment. Increasing capital inflows and a growing workforce reduces unemployment. This can be used as an indicator of increasing economic growth in a city or country. Based on this, the study hypothesizes:

H1: Foreign Direct Investment Has a Positive Impact on Economic Growth

2. The Impact of Domestic Investment on Economic Growth

Domestic Investment (PMDN) is an investment activity undertaken by individuals or business entities originating from within the country to conduct business within the territory of the Unitary State of the Republic of Indonesia (NKRI). PMDN encompasses the use of capital entirely from domestic sources, whether by Indonesian citizens, state-owned enterprises, or the government. This activity is regulated by Law No. 25 of 2007 concerning Investment, which establishes the provisions and procedures for domestic investors. PMDN encompasses various types of businesses that can be pursued, except for certain sectors designated as closed or open under certain conditions (Kansil & Chang, 2024).

Research conducted by Asri Nur Fadhillah, Nurlina, Salman, et al. (2023) shows that domestic investment has a positive and significant impact on economic growth in Indonesia. The insignificant effect of domestic investment on economic growth indicates that the fluctuations in economic growth are determined by domestic investment (PMDN). This means that the higher the PMDN, the higher the economic growth. Based on this, the study hypothesizes:

H2: Domestic Investment Has a Positive Impact on Economic Growth in Indonesia

3. The Impact of Government Spending on Economic Growth

According to John Maynard Keynes, government spending can be a powerful tool for stabilizing and stimulating economic growth, especially during recessions or when private investment is sluggish. Economic growth is also inseparable from the role of government spending in the public services sector. Regional government spending is measured by the total routine and development expenditures allocated in the regional budget.

Research conducted by Novi Bella Sinta Dewi and Sudati Nur Sarfiah (2022) shows that government spending has a positive effect on economic growth in Indonesia. The greater the productive regional government spending, the greater the economic growth of a region. Too little government consumption spending will harm economic growth, while proportional government spending will boost economic growth, and wasteful government consumption spending will hinder economic growth. In general, government spending has a positive impact on economic growth. Based on this, the study hypothesizes:

H3: Government Expenditure Has a Positive Impact on Economic Growth in Indonesia

4. The Influence of Foreign Investment, Domestic Investment and Government Spending on Economic Growth in Indonesia.

Foreign Direct Investment (PMA) and Domestic Direct Investment (PMDN) provide capital and innovation for production, while Government Spending creates a supportive environment (infrastructure, regulations, stability) for these investments to thrive and have a maximum impact on Economic Growth.

Research conducted by Risma Fahrella Fiorentina and Ajeng Kartika Galuh (2024) shows that Domestic Investment, Government Expenditure, and Labor have a positive and significant impact on Economic Growth in Central Java. This is supported by research conducted by Suherman, Rika Neldawati, and Adi Putra (2021), which shows that simultaneous hypothesis testing found that the independent variables of Government Expenditure, Labor, and Domestic Direct Investment (PMDN) have a significant impact on Economic Growth. Based on this, the study hypothesizes:

H4: Foreign Investment, Domestic Investment and Government Spending have a positive effect on Economic Growth in Indonesia.

5. Foreign Investment, Domestic Investment, Government Expenditure and Economic Growth in Indonesia from an Islamic Economic Perspective

From an Islamic economic perspective, Foreign Direct Investment (FDI), Domestic Direct Investment (DDI), and government spending are important instruments in driving equitable and sustainable economic growth. FDI and DDI are viewed as permissible investment activities as long as they comply with sharia principles, such as being free from usury, gharar, and maysir, and are directed towards the real and productive sectors to increase capital accumulation, productivity, and employment (Chapra, 2000). Meanwhile, government spending in Islamic economics plays a strategic role in realizing public welfare through productive public spending oriented towards the

public interest, such as education, health, and infrastructure, which are in line with sharia principles. The synergy between investment and government spending managed fairly and efficiently is believed to be able to drive economic growth that is not only high quantitatively, but also high in quality and inclusive (Chapra, 2008).

Based on this, the study hypothesizes:

H5: Foreign Direct Investment, Domestic Direct Investment, Government Expenditure and Economic Growth in Indonesia from an Islamic Economic Perspective

RESEARCH METHOD

This research is quantitative research using secondary data. According to (Edi Riadi, 2016), secondary data is primary data obtained by other parties or primary data that has been further processed and presented by the primary data collector or other parties in the form of tables or diagrams.

The population in this study refers to all data reports on Foreign Investment, Domestic Investment, and Economic Growth obtained from the Indonesian Central Statistics Agency (BPS) and Government Expenditures obtained from the Directorate General of Fiscal Balance in 34 provinces in Indonesia. The sampling technique in this study was purposive sampling. Purposive sampling is a sampling technique carried out by selecting members of the population according to the criteria required or determined by the researcher (Sugiyono, 2019). The sample in this study consisted of 5 years of data on Foreign Investment, Domestic Investment, Government Expenditure, and Economic Growth in 34 provinces in Indonesia, presented in the form of panel data with a sample size ranging from 2019 to 2023 for each variable. Eviews version 10 was used as the software for data processing.

The data analysis method used in this study is panel data regression analysis. Panel data is a combination of time series data and cross-sectional data. Cross-sectional data is data taken from various units. Meanwhile, time series data is data taken from a specific period (Muhammad Iqbal et al., 2019). In this study, panel data is used to integrate time series data from 2019-2023 for 5 years with cross-sectional data from 34 provinces in Indonesia. In the regression analysis method using panel data, it can be done through three approaches, namely the Common Effect Model, Fixed Effect Model, and Random Effect Model (Basuki & Prawoto, 2016).

RESEARCH RESULTS AND DISCUSSION

Descriptive Statistical Analysis

Table 1 Descriptive Statistical Results

Variabel	Obs	Mean	Median	Maximum	Minimum	Std. Dev
FDI	170	1081.360	402.7500	8283.700	5.900000	1584.577
DI	170	14477.31	6741.700	95202.10	252.9000	19135.87
GE	170	504.2268	219.5800	7934.860	1.000000	1069.779

EG 170 336835.9 141775.6 2050473 26597.55 478418.7

Source: Eviews 10 (data processed, 2025)

The results of the descriptive statistical analysis above show that the foreign investment variable has a mean value of 1,081,360, a median value of 402,7500, a highest value of 8,283,700, a lowest value of 5,900000, and a standard deviation of 1584.577. The Domestic Investment variable has a mean value of 14,477.31, a median value of 6,741,700, a maximum value of 95,202.10, a minimum value of 252,9000, and a standard deviation of 19,135.87. The government expenditure variable has a mean value of 504.2268, a median value of 219.5800, a maximum value of 7,934,860, a minimum value of 1,000,000, and a standard deviation of 1,069,779. The dependent variable, economic growth, has a mean value of 336.835.9, a median value of 141.775.6, a maximum value of 2,050.473, a minimum value of 26.597.55, and a standard deviation of 478.418.7.

Panel Data Estimation

Chow Test

The Chow test was conducted to determine the best model between the Common Effect Model (CEM) and the Fixed Effect Model (FEM). The following are the results of the Chow test:

Table 2 Chow Test Results

Effects Test	Statistic	d.f.	Prob.
Cross-section F	300.144440	(33,133)	0.0000
Cross-section Chi-square	735.039333	33	0.0000

Source: Eviews 10 (data processed, 2025)

Based on the results of the Chow test above, we obtained a cross-section Chi-square with a probability value of $0.0000 < 0.05$. Thus, it can be concluded that the best model selected is the Fixed Effect Model (FEM).

Hausman Test

The Hausman test was conducted to select the best model between the Random Effect Model (REM) and the Fixed Effect Model (FEM). The following are the results of the Hausman test:

Table 3 Hausman Test Results

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	254.007661	3	0.0000

Based on the results of the Hausman test above, a cross-section random with a probability value of $0.0000 < 0.05$ was obtained. It can be concluded that the best model selected is the Fixed Effect Model (FEM), so there is no need to perform an LM test.

Based on the results of the regression equation above, including the Chow Test

and Hausman Test, the best model in this study is the Fixed Effect Model (FEM) to analyze the effect of Foreign Direct Investment, Domestic Investment, and Government Expenditure on Economic Growth in Indonesia. Based on the results of the Fixed Effect Model (FEM) estimation.

Classical Assumption Test

Multicollinearity Test

This multicollinearity test was conducted to see whether there was a correlation between the dependent and independent variables. This test was conducted to ensure that the data was free from multicollinearity. The results of this test can be seen in the following table:

Table 4 Multicollinearity Test Results

	FDI	DI	GE
FDI	1.000000	0.660222	0.440019
DI	0.660222	1.000000	0.601205
GE	0.440019	0.601205	1.000000

Source: Eviews 10 (data processed, 2025)

Based on the results of the multicollinearity test above, it was found that the correlation coefficient of X1 and X2 was $0.66 < 0.85$, the correlation coefficient of X1 and X3 was $0.44 < 0.85$, and the correlation coefficient of X2 and X3 was $0.60 < 0.85$. Therefore, it can be concluded that the data is free from multicollinearity or passes the multicollinearity test.

Heteroscedasticity Test

The heteroscedasticity test is used to see whether there are symptoms of heteroscedasticity. These symptoms are caused by differences between one residual variance and another. The results of the heteroscedasticity test can be seen in the following table:

Table 5 Results of the Heteroscedasticity Test

Variabel	t-Statistic	Prob.
C	0.945891	0.5177
FDI	0.036057	0.9771
DI	-0.034689	0.9779
GE	-0.913428	0.5288

Source: Eviews 10 (data processed, 2025)

Based on the results of the above test, it can be seen that the probability value for each variable has a value of > 0.05 . Therefore, the data does not contain heteroscedasticity problems.

Hypothesis Test

Partial Test (t-test)

The t-statistic test was conducted to determine whether there was an effect between each independent variable and the dependent variable partially. The t-test results can be seen in the following table:

Table 6 t-Test Results

Variable	Coefficien		t-Statistic	Prob.
	t	Std. Error		
C	280165.2	4977.854	56.28233	0.0000
FDI	13.87655	2.941572	4.717391	0.0000
DI	2.310448	0.290110	7.964037	0.0000
GE	16.29439	4.595917	3.545406	0.0005

Source: *Eviews 10 (data processed, 2025)*

The partial effect of the independent variable on the dependent variable is as follows:

- The t-test result for the FDI variable (X1) obtained a t-value of 4.717391, which is greater than the t-table value of 1.69726 and a sig. value of 0.00, which is less than 0.05. Therefore, H0 is rejected and Ha is accepted, meaning that the FDI variable has an effect on economic growth in Indonesia (Y).
- The t-test result for the DI variable (X2) obtained a t-value of 7.964037, which is greater than the t-table value of 1.69726 and a sig. value of 0.00, which is smaller than 0.05. Therefore, H0 is rejected and Ha is accepted, meaning that the DI variable affects economic growth in Indonesia (Y).
- The t-test result for the Government Expenditure variable (X3) obtained a t-value of 3.545406, which is greater than the t-table value of 1.69726 and a sig. value of 0.00, which is less than 0.0005. Therefore, H0 is rejected and Ha is accepted, meaning that the Government Expenditure variable affects economic growth in Indonesia (Y).

Simultaneous Test (F-test)

The F test was conducted to determine whether all independent variables simultaneously affect the dependent variable. The results of the F test can be seen in the following table:

Table 7 F-Test Results

F-statistic	1906.875
Prob(F-statistic)	0.000000

Source: *Eviews 10 (data processed, 2025)*

Based on the results of the F-test above, which shows a value of 1906.875 greater than the Ftable value of 2.922277 and a sig. value of 0.00 less than 0.05, it can be concluded that Foreign Investment, Domestic Investment, and Government Expenditure simultaneously affect Economic Growth in Indonesia.

Determination Coefficient Test (R²)

The coefficient of determination shows how much of the variation in the dependent variable can be explained by the variation in the independent variable. The following are the results of the coefficient of determination:

Table 8 Results of the Coefficient of Determination Test

R-squared	0.998066
Adjusted R-squared	0.997543

Source: Eviews 10 (data processed, 2025)

Based on the above test results, it shows that panel information regression using the Fixed Effect Model (FEM) produces an R-squared value of 0.778051. This shows that Foreign Direct Investment, Domestic Investment, and Government Expenditure affect Economic Growth in Indonesia by 99.7543%, while the remaining 0.2457% is explained by other variables not included in this research model.

The Effect of Foreign Investment on Economic Growth in Indonesia.

Based on the results of the tests conducted, the Foreign Investment variable obtained a coefficient value of 4.717391 and a probability value of $0.0000 < 0.05$, which means that H1 is accepted and H0 is rejected. Thus, it can be concluded that Foreign Investment has a positive and significant effect on Economic Growth in Indonesia.

According to Arsyad, the benefits of foreign investment for developing countries include creating jobs, transferring useful technology and skills, and providing a source of savings or foreign exchange. Foreign investment is a source of savings for the country because the presence of foreign investors investing in our country will increase economic growth (Irwan Pirda Atmi Danisa, 2018). R-squared 0.998066 Adjusted Rsquared 0.997543 The results of this study align with research conducted by Novi Mela Yuliani et al. (2023), Novi Bella Sinta Dewi & Sudati Nur Sarfiah (2022), and Hanna Meilaniwati & Tannia (2021), showing that foreign investment has a positive and significant effect on economic growth in 34 provinces in Indonesia, both in the long and short term.

The Impact of Domestic Investment on Economic Growth in Indonesia.

Based on the results of the tests conducted, the Domestic Investment variable obtained a coefficient value of 7.964037 and a probability value of $0.0000 < 0.05$, which means that H1 is accepted and H0 is rejected. Thus, it can be concluded that Domestic Investment has a positive and significant effect on Economic Growth in Indonesia.

The results of this study are in line with the research conducted by Risma Fahrella Fiorentina and Ajeng Kartika Galuh (2024), Asri Nur Fadhillah et al., (2023) and Suherman, Rika Neldawati and Adi Putra (2021), which all show that Domestic Investment has a positive and significant effect on Economic Growth in Indonesia.

The Effect of Government Expenditure on Economic Growth in Indonesia.

Based on the results of the tests conducted, the Government Expenditure variable

obtained a coefficient value of 3.545406 and a probability value of $0.0005 < 0.05$, which means that H1 is accepted and H0 is rejected. Thus, it can be concluded that Government Expenditure has a positive and significant effect on Economic Growth in Indonesia.

The results of this study are in line with the studies conducted by Novi Bella Sinta Dewi and Sudati Nur Sarfiah (2022) and Riznaky Roosmanita, Jhonny Marbun (2022), which both show that the variable of government spending has a positive effect on economic growth in Indonesia.

The Effect of Foreign Investment, Domestic Investment, and Government Expenditure on Economic Growth in Indonesia.

Based on the results of research conducted on the interaction between the value of Foreign Investment, Domestic Investment, and Government Expenditure on Economic Growth in Indonesia, an F-Statistic probability value of $0.000000 < 0.05$ was obtained. This means that Foreign Investment, Domestic Investment and Based on the results of research conducted on the interaction between Foreign Investment, Domestic Investment and Government Expenditure on Economic Growth in Indonesia, an F-Statistic probability value of $0.000000 < 0.05$ was obtained. This means that Foreign Direct Investment, Domestic Investment, and Government Expenditure simultaneously affect Economic Growth in Indonesia.

The Islamic economic perspective on Foreign Investment, Domestic Investment, and Government Expenditure on Economic Growth.

In the Islamic economic perspective, economic development also includes economic growth. The main principles underlying this growth include justice, equitable distribution of income and wealth for the entire community, elimination of usury, and the obligation to pay zakat. In the context of state wealth management and acquisition, economic welfare is seen as part of efforts to improve the quality of life of the community. Islam views economic growth as a means to improve the material welfare of humanity, regardless of race, religion, or nationality. More than that, Islamic economics focuses on two economic aspects: material (worldly) welfare and spiritual welfare. Islam also emphasizes the importance of preventing monopolistic practices and encouraging fair distribution through various instruments such as zakat, waqf, and other sources of state revenue (Martini Dwi Pusparini, 2015).

From an Islamic economic perspective, economic growth must be directed towards the common good and equitable distribution of welfare. The words of Allah SWT in QS. Al-Hashr verse 7 form the basis of the principle of fair distribution of wealth:

مَا آفَاءَ اللَّهِ عَلَى رَسُولِهِ مِنْ أَهْلِ الْقُرَىٰ فَلِلَّهِ وَاللرَّسُولِ وَلِذِي الْقُرْبَىٰ وَالْيَتَامَىٰ
وَالْمَسْكِينِ وَابْنِ السَّبِيلِ كَيْ لَا يَكُونَ دُولَةً بَيْنَ الْأَغْنِيَاءِ مِنْكُمْ وَمَا آتَاكُمُ
الرَّسُولُ فَخُذُوهُ وَمَا نَهَاكُمْ عَنْهُ فَانْتَهُوا وَاتَّقُوا اللَّهَ إِنَّ اللَّهَ شَدِيدُ الْعِقَابِ ﴿٧﴾

"Whatever (wealth obtained without warfare) Allah has bestowed upon His Messenger from the inhabitants of several lands is for Allah, the Messenger, his relatives, orphans, the poor, and travelers. (This is so) that the wealth does not circulate only among the rich among you. Whatever the Messenger gives you, accept it. Leave what he forbids

you. Fear Allah. Indeed, Allah is severe in punishment (QS Al-Hashr: 7)".

In Islamic economics, the main objective of economic growth is to improve the welfare of society. This concept emphasizes that economic growth should lead to income equality and fairness in the distribution of wealth. To ensure that this growth has an impact not only on welfare in this world but also in the hereafter, it is necessary to integrate moral values or axiological elements into every process. One of the fundamental differences between economic growth in the Islamic perspective and the conventional economic system lies in its basic principles. In Islamic economics, spiritual aspects or religious values occupy the most important position (Chapra, 2000).

In Islamic economics, Foreign Direct Investment, Domestic Investment, and Government Expenditure are not only viewed as technical aspects, but also as part of a moral and spiritual responsibility to maintain justice and balance in society. The principle of maqashid syariah requires that economic management be oriented towards achieving mutual prosperity. Irregularities in Foreign Investment, Domestic Investment, and Government Expenditures can have a negative impact on social and economic conditions. Therefore, the formulation of stable, fair, and transparent economic policies must be a top priority. By applying Islamic values in economic management, we can build a more prosperous, just, and prosperous society, in line with Allah SWT's goal of creating human civilization.

CONCLUSION

Based on the results of research conducted on Indonesia's macroeconomic data for the 2019- 2023 period, it can be concluded that the variables of Foreign Investment, Domestic Investment, and Government Expenditure, which are considered important, have a positive effect on Economic Growth in 34 provinces in Indonesia, both in the short and long term. In the principles of the Islamic economic system, Islamic economic values originate from the Qur'an and Sunnah, which form the basis of the Islamic worldview. Economic growth from an Islamic economic perspective has a different approach from conventional economics. In Islam, economic development is not only assessed in quantitative terms, such as an increase in GDP (), but also in terms of the quality of growth in accordance with sharia principles and providing benefits (goodness) to society. The goal of economic growth according to Islam is to achieve prosperity (falah) in this world and the hereafter, reduce poverty and inequality, ensure justice in the distribution of wealth, and preserve the blessings and sustainability of resources.

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