



## Foreign Direct Investment: Does it Increase Economic Growth?

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Economic growth is one indicator of development. Factors that are thought to be capable of influencing economic growth include the human development index, income, poverty, investment, and unemployment. So it needs to be analyzed to achieve sustainable development. This study aims to analyze the effect of human development index, income, poverty, investment, and unemployment on economic growth. The research method used is descriptive quantitative with panel data regression analysis. The data consists of six provinces on the island of Java starting from 2010-2021. The results of the study show that the development, income and unemployment indices have a negative and significant effect on economic growth, while the poverty and investment variables do not have a significant effect on economic growth. The government must be able to allocate an efficient budget that has a direct impact on economic growth both in the long term and in the short term. For the government to be able to focus more on policies on human development and expanding employment opportunities to be able to overcome economic growth in Java.

## INTRODUCTION

Economic development is a series of efforts aimed at improving people's welfare, reducing unemployment, and minimizing income inequality in society. The availability of economic development indicators is an unavoidable thing in development planning. GRDP is one of the indicators used to measure economic activity in an area said to be growing and developing if goods and services are produced in a certain period of time (Ramadhani, 2021). The human development index plays an important role in the development of the modern economy, this is because good human development will make production factors able to be maximized. In addition, high human development results in a high population so that it will increase consumption levels. However, the reality is that in six provinces on the island of Java, the human development index has increased every year but its economic growth has decreased (Kormishkina et al., 2019)

Limited capital resources are one of the problems faced by most developing countries in carrying out all economic activities, especially in terms of people's income. This means that there will be limited capital to meet daily needs. This situation will continue until there is an effort to increase people's income in boosting economic growth to a high level. Another problem that affects the economic growth of a country is the level of poverty. Especially for Indonesia, as a developing country, the problem of poverty is a very important and fundamental problem in its development efforts. According to BPS, the poverty rate in Indonesia is still very large even though economic growth has increased. The largest number of poor people occurred in 2016, namely 13.96 percent of the Indonesian population still living in a poverty circle. According to Sen (2001), people become poor because they can't do something, not because they don't have something, so to overcome poverty is through access to education, health and infrastructure institutions.

Investment is one of the important factors in determining the level of national income.

Investment activities allow a community to continuously improve economic activities and job opportunities, increase national income and level of prosperity (Charles & Runtunuwu, 2020). The existence of new investments allows the creation of new capital goods so that they will absorb new factors of production, namely creating jobs or job opportunities, which will absorb labor which in turn will reduce unemployment. Thus it will add new output and income to the factors of production will increase national output so that there will be economic growth.

Unemployment is a problem faced and difficult to avoid for a country, both in developing and developed countries. The 2020 population census defines unemployment as people who do not work at all or work less than two days during the week before the enumeration and are trying to find work (Ramadhani, 2021). According to BPS data, the number of unemployed in Indonesia fluctuated from 2010-2021. The highest unemployment rate in Indonesia occurred in 2011 reaching 7.48 percent, while the lowest occurred in 2019 reaching 5.23 percent. Unemployment is a problem that becomes the main concern in solving economic problems. In research conducted by (Sulistiawati, 2012) shows the problem of unemployment has a negative influence on economic growth. In an effort to increase economic growth, it is necessary to solve the existing unemployment problem.

The research gap in this study is the existence of economic development aimed at improving people's welfare, reducing unemployment, and minimizing income inequality in society. Limited capital resources are one of the problems faced by most developing countries in carrying out all economic activities, especially in terms of people's income. Another problem that affects the economic growth of a country is the level of poverty. Unemployment is a problem faced and difficult to avoid for a country, both in developing and developed countries. According to BPS data, the number of unemployed in Indonesia fluctuated from 2010-2021. The problems that can be conveyed in this

research are: How is the influence of HDI, Income, Poverty, Investment, and Unemployment on Economic Growth in Java Island in 2010-2021.

In several previous studies, the factors that have an influence on economic growth are the human development index. In addition, the unemployment rate can affect economic growth in a region (Utami, 2020). Another factor that can affect economic growth is the income or wage rate in a region (Julianto & Suparno, 2016). In another study, foreign direct investment has no impact on economic growth in the European Union (Simionescu, 2016). Another factor that can affect the level of economic growth is HDI. HDI has a positive impact on economic growth in Pakistan (Taqi et al., 2021). poverty rate has an influence on the level of economic growth. Poverty rate has a significant effect on poverty in the province of Gorontalo (Imanto et al., 2020).

The purpose of this study is to analyze the effect of human development index, income, poverty, investment, and unemployment on economic growth. The novelty proposed in this research is the index of human development, income, poverty, investment.

The level of national income and the size of the population will affect the total per capita income of a country. According to Todaro (2011) there are three main factors or components in the economic growth of each nation, including: (1) Capital accumulation which includes all forms or types of new investments invested in land, physical equipment and capital or human resources, (2) population growth in the next few years which will increase the amount of capital accumulation, (3) technological progress.

Economic development and poverty are indicators of economic development by reducing poverty levels so that economic development continues to increase. According to the United Nations Development Program (UNDP), the main goal of development is to create an environment that allows people to enjoy long, healthy and productive lives. The need to increase human resources in the future needs to be done by improving or strengthening existing interventions to make them more effective and

beneficial for vulnerable and poor population groups.

According to the United Nations Development Program (1990) defines human development as an effort to create or provide an expansion of choice for humans. UNDP also introduced an indicator that can describe the development of human development in a measurable and representative manner, called the Human Development Index (HDI). There are three basic dimensions in the formation of the human development index, namely a long and healthy life, knowledge and a decent life. These three dimensions have a very broad understanding because they are related to many factors (BPS, 2016).

Improving the quality of health and nutrition services for the population, in addition to improving education and reducing poverty. Unemployment is a condition in which a person does not work at the productive age between 15 to 65 years. The concept of poverty is very diverse, which is simply defined as the inability to meet basic consumption needs and improve conditions, to a broader understanding that includes social and moral aspects.

Raharja and Manurung (2010), income is the total receipts in the form of money or not money by a person or household during a certain period in the form of non-money received by someone for example in the form of goods, rice allowances, and so on. The revenue received comes from the sale of goods and services produced in business activities. According to Samuelson and Nordhaus (2007) stated that in this case income can also be interpreted as a person's net income either in the form of money or in kind. In general, income can be classified into salary and wages, income from wealth, and income from other source.

Komang et al. (2021) argue that there is a very close relationship between high unemployment rates and poverty. Countries in the world have agreed to calculate the economic health of a country, using the parameter value of gross national product per capita. According to the Central Statistics Agency (BPS), GRDP is defined as the amount of added value produced

by all business units in an area or the total value of final goods and services produced by all economic units in the area (Charles & Runtunuwu, 2020).

The Central Bureau of Statistics, which is categorized as poor people are people who are unable to meet the minimum needs of 2,100 calories per capita per day plus the minimum non-food needs which are a person's basic needs which include basic needs for housing, clothing, school, transportation and housing needs. ladders and other fundamental individuals. Poverty describes a situation of complete deprivation such as limited capital, low knowledge and skills, low productivity, low income, weak exchange rates for the products of the poor and limited opportunities to participate in development.

The success of the development of a country or region is one of the important indicators of poverty. Poverty sometimes means not having access to education and jobs that can overcome poverty and earn the respect it deserves (Indonesia et al., 2021). Based on (Yusri, 2022) poverty is divided into 2 parts, namely: Relative poverty, Seeing poverty in terms of social inequality, this is because there are people who are able to meet minimum needs but are still lower than other residents, it is called relative poverty.

According to Sukirno (2016), investment activities carried out by the community will continuously increase economic activity and job opportunities, increase national income and increase the level of community prosperity. This role stems from three important functions of investment activities, including: Investment is one component of aggregate expenditure, so that an increase in investment will increase aggregate demand, national income and employment opportunities; The increase in capital goods as a result of investment will increase production capacity; Investment is always followed by technological developments.

Investment will increase income and the amount of goods produced so that it plays a role in economic growth and poverty alleviation. Investment is a commitment to a number of

funds or other resources carried out at this time, to obtain profits in the future.

According to the Central Statistics Agency (BPS) in employment indicators, unemployment is a population who does not work but is looking for work or is preparing a new business or residents who are not looking for work because they have been accepted to work but have not started work. Unemployment is a reality faced not only by developing countries, but also by developed countries. In general, unemployment is defined as a condition where a person belonging to the labor force category (labe force) does not have a job and is actively looking for work. A person who is not working, but is actively looking for work cannot be classified as unemployed.

Unemployment is a term for workers who do not work at all, are looking for work, are waiting for the next job project, or someone who is trying to get a decent job. The unemployment rate is the percentage between the division of the number of unemployed and the labor force. The problem of unemployment can be said to be very complex to study and become an important issue, this is because it can be associated with several indicators.

## RESEARCH METHODS

In this study are used secondary data recorded by other parties or the research data obtained indirectly. The data are sourced from the Central Statistics Agency (BPS), namely Economic Growth data, Human Development Index data, Income data, Poverty data, Investment data, and Unemployment data. The data used is time series data from 2010 to 2021 in six provinces of Java Island. Java Island is home to 151 million Indonesians or around 56.1% of Indonesia's total population. The dense number of people living on the island of Java has led to the emergence of various kinds of socio-economic problems such as poverty and unemployment. But on the other hand, the island of Java can be an investment destination with a large market potential.

In addition to using quantitative methods, this study also uses panel data methods using 6 (six) measurement variables, namely economic growth, human development index, income, poverty, investment, and unemployment.

The dependent variable (Y) in this study is economic growth. Economic growth is a benchmark for the success of a country's development, especially in the economic field. The data used in this study were obtained from the Central Statistics Agency (BPS) based on calculations from 2010-2021 in Java Island which were expressed in percentage form.

HDI is a measure of human development achievement based on a number of basic components of quality of life. The data used in this study were obtained from the Central Statistics Agency (BPS) based on calculations from 2010-2021 in Java Island which were expressed in percent.

Income is the level of living that can be enjoyed by an individual or other sources of income. The operational data used in this study was obtained from the Central Statistics Agency (BPS), which is based on the calculation of the regional minimum wage from 2010-2021 in Java Island which is expressed in thousand rupiah.

Poverty is a condition that arises because basic human needs are not fulfilled, such as clothing, food and shelter. The operational data used in this study was obtained from the Central Statistics Agency (BPS), which is based on calculations from 2010-2021 in Java Island which are expressed in percentage terms.

Investment is an activity that spends a certain amount of money or keeps money in something with the hope of getting a profit and a decent life for the future. The operational data used in this study was obtained from the Central Statistics Agency (BPS), which is based on calculations from 2010-2021 in Java, which are expressed in billions of rupiah.

Unemployed is someone who does not have a job or is looking for work and has no income. The operational data used in this study was obtained from the Central Statistics Agency (BPS), which is based on the calculation of the

open unemployment rate from 2010-2021 in Java Island which is expressed as a percentage.

This research uses panel data regression method. Panel data is a combination of time series data and cross section data. This approach is used to analyze the effect of the independent variables, namely the human development index, income, poverty, investment, and unemployment on economic growth in six provinces of Java Island. In this study using time series data, totaling 72 observations starting from 2010 to 2021. The steps in analyzing panel data using STATA 14 software, among others:

Gujarati (2004), panel data is an analytical method that combines time series data and cross section data. In accordance with this study, namely to examine how the influence of gross domestic product, Corruption Perception Index, exports, interest rates, and exchange rates on the level of FDI in 6 ASEAN countries. So the analytical method used in this study is panel data regression analysis, which is a combination of time series data or time series data with cross section data. In the panel data model, the equation of the model with time series data can be written as:

$$Y_t = \beta_0 + \beta_1 X_t + \epsilon_t ; t = 1, 2, \dots, T \dots\dots\dots (1)$$

Where, T is the amount of time series data. The equation of the model with cross section data of this model will be as follows:

$$Y_t = \beta_0 + \beta_1 X_t + \epsilon_t ; t = 1, 2, \dots, N \dots\dots\dots (2)$$

Where N is the amount of cross section data. Assuming that the panel data is a combination of time series with cross section data, the model can be written as:

$$Y_{it} = \beta_0 + \beta_1 X_{it} + \epsilon_{it} \dots\dots\dots (3)$$

Where, i = 1, 2, ..., N; t = 1, 2, ..., T; N is number of observations; T is time period; and NxT is the number of panel data.

In determining the panel data regression model, it is divided into three, namely. The Common Effects approach aims to see differences between time and individuals, using the OLS method to estimate the panel data

model. The model assessment condition utilizing the common effect model is:

$$C_{it} = \beta_1 + \beta_2 X_{1it} + \beta_3 X_{2it} + \dots + v_{it} \dots \dots \dots (4)$$

The Fixed Effect Model approach is based on differences in intercepts, but the intercepts are the same over time or often referred to as the Least Square Dummy Variables (LSDV) technique. The model estimation equation using the fixed effect model:

$$C_{it} = \beta_{1t} + \beta_2 Q_{it} + \beta_3 X_{1it} + \beta_4 X_{2it} + \dots + v_{it} \dots (5)$$

The Random Effect Model approach explains that different parameters between regions and time are included in the error. The model estimation equation using the random effects model is as:

$$TC_{it} = \beta_{1i} + \beta_2 Q_{it} + \beta_3 X_{1it} + \beta_4 X_{2it} + u_{it} \dots \dots \dots (6)$$

The next step is testing and selecting the model which is divided into three parts: the Chow test, the Hausman test and the Lagrange multiplier test. This test is used to compare whether the fixed effect model or random effect model is more suitable.

Classical assumption test is a prerequisite that needs to be done in regression analysis. In conducting the classical assumption test, it is divided into four of them. Normality test aims to determine the data that has been collected is normally distributed or taken from a normal population. Then perform multicollinearity test aims to determine whether there is a perfect linear relationship between some or all of the independent variables of the regression model. Heteroscedasticity test aims to test the variance of the disorder is not the same for all observations. The autocorrelation test aims to test whether in a linear regression model there is a correlation between ui disturbance in period t and ui disturbance in period t-1.

**RESULTS AND DISCUSSION**

The testing tool used in this study is panel data analysis. Panel data analysis begins with choosing the right model between common effects, fixed effects, and random effects. In the panel data analysis, the process of testing the

classical assumptions of the model is also carried out. The following are the results and discussion in the panel data, as follows:

**Table 1.** Statistics of Research Variables

Var	Obs	Mean	Std. Dev.	Min	Max
Y	72	4.90569	2.4185	-3.39	7.03
X1	72	72.4943	4.5532	65.36	81.11
X2	72	14.0968	0.5544	11.8855	15.3007
X3	72	9.64680	4.0090	3.42	16.83
X4	72	6.95167	1.9516	.875468	8.87135
X5	72	6.85680	2.70766	2.72	13.74

Source: Data Processed, 2022

Based on Table 1 above, descriptive statistics were carried out using Stata software, it can be seen that: variable Y or economic growth it is known that the maximum value of 7.03 percent contained in code 6 Banten Province in 2011. The minimum value is -3.39 percent which is on code 6 Banten Province in 2021. The standard deviation of the value of the Y variable is 2,418 with a mean value of 4,905. The X1 variable or human development index is known that the maximum value is 81.11 percent contained in code 1 DKI Jakarta Province in 2021 while the minimum value is 65.36 percent found in code 5 East Java Province in 2010. The standard deviation of the X1 variable value is of 4,553 with a mean value of 72,494. The X2 variable or income is known that the maximum value is log 15,300 or 4416180 thousand rupiahs contained in code 1 DKI Jakarta Province in 2021 while the minimum value is log 11,885 or 145154 thousand rupiahs contained in code 4 DI Yogyakarta Province in 2018 The standard deviation of the X2 variable value is 0.554 with a mean value of 14.096.

The X3 variable or poverty is known that the maximum value is 16.83 percent in code 4 DI Yogyakarta Province in 2010 while the minimum value is 3.42 percent in code 1 DKI Jakarta Province in 2019. The standard deviation of the X3 variable value is 4,009 with a mean value of 9,646. The X4 variable or investment is known that the maximum value is log 8.871 or 7124.90 billion rupiahs contained in code 2 of West Java

Province in 2013 while the minimum value is log 0.875 or 2.40 billion rupiahs contained in code 4 of DI Yogyakarta Province in 2011. As for the standard deviation of the X4 variable value is 1,951 with a mean value of 6951. Variable X5 or unemployment is known that the maximum value of 13.74 percent contained in code 6 Banten Province in 2011 while the minimum value was 2.72 percent contained in code 4 DI Yogyakarta Province in 2016. The standard deviation of the value of the X5 variable is 2,707 with the mean value is 6856.

The panel data regression model is divided into three models, namely pooled least square or common effect, fixed effect, and random effect model. The following is the processing result of the three models. The next step is to determine the best estimation model in this study, then the Chow Test, Hausman Test, and Langrange Multiplier Test are carried out.

Based on the results of the Chow test, it is known that the probability table value is 0.0686 which is greater than 0.05. based on these results, H1 is rejected. Then the Chow test states that a better estimation model is the random effect (RE) than the fixed effect (FE).

The LM test are the test results to choose whether the best estimation model is random effect (RE) or fixed effect (FE). Based on the results of the langrange multiple test, it is known that the value of Prob>chibar2 is greater than 0.05, namely 1.0000 ( $1.00000 > 0.05$ ). then h0 is accepted which means that the best model to use is Random effect rather than fixed effect.

Based on the Hausman test, it is known that the value of Prob>chi2 is smaller than 0.05, which is 0.0459 ( $0.0459 < 0.05$ ), meaning that it gives significant results, so it can be concluded that because the test results have a p-value smaller than 5 percent, it is used following the fixed effect model.

Based on the Chow test, Langrange multiplier test and Hausman test that have been done, the model selection is between pooled least square, fixed effect model, and random effect model. It is concluded that the most suitable model and has a more efficient estimate is the random effect model.

**Table 2.** Random Effect Model Regression Results

Variable	Coef.	Std. Err.	t	P> t
X1	-.143509	.09340	-1.54	0.124
X2	-2.91946	.65561	-4.45	0.000
X3	-.558421	.14610	-3.82	0.000
X4	-.137436	.23173	-0.59	0.553
X5	-.393688	.12921	-3.05	0.002
_cons	65.50649	11.7119	5.59	0.000
<b>Prob &gt; F</b>	0.0000			
<b>R-squared</b>	0.3216			

Source: Data Processed, 2022

Based on the results of the random effect model above, the human development index and investment variables are not significant to economic growth. Then it can be seen that the statistically significant F value is indicated by the smaller Prob>F value of 0.05. The R-square value within 0.3558 means that this model is able to explain the variation of 35.58 percent of the economic growth variable.

After determining the best model in the study, the next step is to test the classical assumptions. The following are the results of the classic assumption test. Based on the Ksmirnov test above, it can be seen that the Combined K-S value = 0.000 which is smaller than alpha, so the data is not normally distributed.

Based on the results of the multicollinearity test, it shows that the VIF value means the VIF value is 3.27. so the results of the multicollinearity test above show that the data used in this research model is free from multicollinearity symptoms because it has a mean VIF value that is not greater than 10.

Tests in this study were carried out with the wooldrige test for autocorrelation in the data panels. The probability value of the wooldrige test is 0.0405. So the conclusion is rejecting h0 meaning that this regression model is not random or there is an autocorrelation between residuals. Based on the results of the heteroscedasticity test with the BreuschPagan/Cook-Weisberg test, the probability value of Chi2 is 0.0001 which is smaller than the significant level of 5% or 0.05 ( $0.0001 < 0.05$ ). so it can be concluded that this research model has heteroscedasticity symptoms.

Several series on the selection of the appropriate regression approach according to the

research show that the fixed effect model is an appropriate approach compared to the pooled least square and random effect model. However, the testing and model selection shows that the random effect model is the selection of an appropriate model compared to the fixed effect model.

However, testing of the classical assumptions of econometrics shows that the random effect model is proven to be statistically significant with problems of normality and heteroscedasticity and autocorrelation, a violation of this classical assumption makes the estimation results biased and its validity is doubtful so that it can produce a wrong analysis. Based on these facts, the use of the random effects model is not possible to be the basis for the analysis of economic growth, so in this study it was decided to use cross-sectional time series regression feasible generalized least square as a treatment of the random effects regression model. Following are the results of the cross-sectional time series feasible generalized least square on economic growth. The results of the coefficient of determination test are presented in the following table:

**Table 3.** Coefficient of Determination Results

R-Square	
Within	0.3558
Between	0.0846
Overall	0.3216

Source: Data Processed, 2022

Based on table 3, it is known that the value of R-Square R2 within is 0.3558, which means 0.3558 or (35.58%) the independent variables of the human development index, income, poverty, investment and unemployment are able to explain or describe the value of economic growth in Java Island in 2010-2021. While the remaining 64.42 is explained by other variables that are not included in this research model.

In table 2, the results obtained for prob>F of 0.0000, this number is smaller than the alpha value of 0.05 and the Ftest value (Wald chi2) of 53.04. So it can be concluded that all independent variables together (simultaneously) have a

positive and significant influence on the dependent variable, namely economic growth.

**Table 4.** Cross-Sectional Time Series Feasible Generalized Least Square Regression Results

Variabel	Coef.	Std. Err.	z	P> z
X1	-.388579	.12995	-2.99	0.003
X2	-2.54099	.62868	-4.04	0.000
X3	-.378390	.23693	-1.60	0.110
X4	-.049186	.36123	-0.14	0.892
X5	-.575384	.14528	-3.96	0.000
_cons	80.28213	12.73141	6.31	0.000
<b>Prob &gt; chi2</b>		0.0000		

Source: Data Processed, 2022

Based on the table, it can be seen that the equation for panel data regression in this study is as follows:

$$\gamma_{it} = \alpha + \beta_1 x_{1it} + \beta_2 x_{2it} + \beta_3 x_{3it} + \beta_4 x_{4it} + \beta_5 x_{5it} + \varepsilon_{it} \dots\dots\dots (7)$$

$$\text{Economic growth} = 80.28213 - 0.3885796 - 2.54099 - 0.3783904 - 0.0491867 - 0.5753846 + \varepsilon_{it} \dots\dots\dots (8)$$

The following are the results of the t-test on this research model which are presented in the following table:

**Table 5.** T-test Results

Variabel	Coef.	P > [t]
<b>X1</b>	-0.3885796	0.003
<b>X2</b>	-2.54099	0.000
<b>X3</b>	-0.3783904	0.110
<b>X4</b>	-0.0491867	0.892
<b>X5</b>	-0.5753846	0.000
<b>_cons</b>	80.28213	0.000

Source: Data Processed, 2022

Based on the table above, it can be seen that the results of regression analysis with panel data are known that HDI (X1) has a coefficient value of -0.3885796 with a prob>[t] human development index of 0.003 <0.05, meaning that the human development index (X1) is partially proven to have negative and significant influence on economic growth. Income (X2) is known that the coefficient value is -2.54099 with a prob>[t] income value of 0.000 <0.05, meaning that income (X2) is partially proven to have a negative and significant effect on economic growth. Poverty (X3) is known that the coefficient value is -0.3783904 with a prob>[t] poverty value of



0.110 <0.05, meaning that poverty (X3) is partially not proven to have a significant effect on economic growth. Investment (X4) is known that the coefficient value is -0.0491867 with a prob>[t] investment value of 0.892 <0.05, meaning that investment (X4) is partially not proven to have a significant effect on economic growth. Unemployment (X5) is known that the coefficient value is -0.5753846 with a prob>[t] unemployment value of 0.000 <0.05, meaning that unemployment (X5) is partially proven to have a negative and significant effect on economic growth.

HDI is an important indicator in measuring economic growth. HDI shows a country's success in developing and improving the quality of human life. Ezkirianto & Alexandi, (2018) Quality human resources will increase the productivity of society in a country which will affect the efficiency of economic activity and in the aggregate can affect the country's economic growth. The Central Bureau of Statistics measures the Human Development Index based on three indicators, namely the education indicator, the health indicator, and the income indicator, while the dimensions are measured based on the longevity and healthy living dimensions, the knowledge dimension, and the dimensions of a decent standard of living.

Based on the results in table 5 above, HDI has a negative and significant affects on economic growth. This is contrary to the assumed hypothesis HDI has a positive and significant influence on economic growth. These results are in line with Utami (2020) the results showed that the human development index had a negative and significant effect on economic growth. However, this study contradicts Izzah (2015), who obtained HDI results that have a positive and significant effect on economic growth. HDI has a negative effect because other possible factors significantly influence economic growth. Utami (2020) explains that the consumption sector considerably influences economic growth.

Income can affect household consumption behavior. the higher the income, the higher the level of their consumption (Lestari,

2016). Increase in public consumption which at the same time will have an impact on increasing economic growth. The marginal propensity to consume is crucial to Keynesian policy recommendations to reduce widespread unemployment. The power of fiscal policy, to influence the economy as shown by the multiplier of fiscal policy arises from the feedback between income and consumption (Deprianto et al., 2016).

The results in table 5 show that Income has a negative and significant effect on economic growth. This result is not in accordance with the hypothesis, which assumes Income has a positive and significant effect. This study's results differ from the research (Handayani et al., 2016; Muzakky, 2015). The research conducted (Utami, 2018) shows the results that income has a positive and significant effect on economic growth. In another study conducted by (Julianto & Suparno, 2016) showed similar results where income has a positive and significant effect on economic growth. When per capita income rises, people tend to increase their consumption of normal goods, which will trigger producers to increase their production and investment for production purposes. Based on the Harrod-Domar theory regarding the theory of economic growth, when the capacity of capital goods is used optimally due to increased public consumption, it will increase the percentage of economic growth in the following period. However, according to Nurhayati (2015), higher per capita income cannot encourage regional economic growth to increase.

Poverty is no longer understood as an economic incapacity but also as a failure to fulfill fundamental rights and differences in treatment for a person or group of people living in a dignified manner. Fundamental rights generally recognized include meeting the needs for food, health, education, employment, housing, clean water, land, natural resources, the environment, a sense of security from treatment or threats of violence, and the right to participate in social and political life. The Poverty that is faced in every country will always be accompanied by problems with the rate of population growth which then

results in unemployment, inequality in the distribution of national income and development, and education, which is the main capital to be able to compete in the world of work today (Pratama et al., 2019).

The results of the t-test showed that Poverty had a negative but not significant effect. This means that reducing Poverty will increase economic growth. The results of this study are similar to research (Mubarak, 2020; Somba et al., 2021), which states that Poverty has a negative but not significant effect on economic growth. This research differs from Imanto et al. (2020), who state that Poverty has a negative and significant effect on economic growth. Retno (2013) also found that Poverty has a negative and significant effect on economic growth.

According to classical theory, investment is an expenditure intended to increase society's ability to increase production. So, investment is an expenditure that will increase the number of means of production in society, ultimately increasing income so that economic growth increases (Agustin, 2017). Investment can stimulate greater economic activity. Increased economic activity is expected to impact people's welfare, where these investment activities can absorb much labor and reduce unemployment (Pratama et al., 2019). People who were previously unemployed will get jobs and income through investment activities (Royan et al., 2015). High rates of economic growth are generally supported by increased investment (Sari et al., 2020).

Table 5 shows that the investment variable has a negative but insignificant effect on economic growth. These results are not in accordance with the hypothesis of this study which assumes that investment has a positive and significant effect on economic growth. The results of this study are similar to a study conducted by Agustin (2017), who found a significant negative effect of investment on economic growth. According to him, the negative effect of investment on economic growth is caused by inefficient investment and policies that do not support the investment climate. The results of this study differ from those

of Pratama et al. (2019), which found the investment has a positive and significant effect on economic growth. Sari et al. (2020) also found the investment to have a positive and significant effect on economic growth.

Unemployment is a socio-economic problem for every country. The high unemployment rate will disturb the national stability of the country, so each country tries to maintain the unemployment rate at a reasonable level. The problem of unemployment has always been a complex problem to solve in every country. This is because the population is increasing every year, which will lead to an increase in the number of job seekers, and the workforce will also increase. If the workforce cannot be absorbed into the workforce, they will be classified as unemployed. High unemployment rate will increase the number of poverty. High poverty rates will hinder the country's economic growth.

Table 5 menunjukkan hasil variabel Unemployment has a negative and significant effect on economic growth. This means that increasing unemployment will reduce economic growth or vice versa. A decrease in unemployment will increase economic growth. These results are consistent with the research hypothesis, which states that unemployment has a negative and significant effect on economic growth. The Research conducted by Deprianto et al., (2016) shows something similar to the results of this study where the unemployment rate has a negative effect on economic growth, which means when the unemployment rate is high, economic growth will be low. However, this study's results differ from the results of the study by Septiatin et al. (2016), which stated that unemployment has a significant positive effect on economic growth.

In the research conducted. In the same study, the unemployment rate has a negative and significant effect on economic growth. These results support the findings in this study where the human development index has a negative and significant effect on economic growth and unemployment has a negative and significant effect on economic growth.

## CONCLUSION

Efforts to increase economic growth need to be continued and improved. The results of this study indicate that HDI, Income, and Unemployment have an influence on economic growth. HDI has a significant and negative effect on economic growth. This result is contrary to previous research and theories which state that HDI has a positive influence on increasing economic growth. this can be caused by an increase in the value of the human development index which tends to be slow when compared to national economic growth. income has a negative effect on economic growth. this could be due to an increase in total income but the level of household consumption did not increase significantly. The unemployment rate has a negative effect on economic growth because a large number of unemployed will increase poverty. this has a negative impact on economic growth making it difficult to increase economic growth.

Based on the previous discussion and conclusions, there are several suggestions related to this research, namely, the Government should be able to allocate an efficient budget that has a direct impact on Economic Growth in both the long and short term. For the government, to be able to focus more policies on human development and the expansion of employment opportunities to be able to cope with economic growth on the island of Java. Consumption per capita that continues to increase from year to year illustrates that the people's ability to meet their daily needs is getting better. Therefore, the government must still pay attention to the community so that per capita consumption can increase further the following year. The government must improve infrastructure and technology so that domestic investment in Indonesia can run effectively and efficiently. The government must be able to minimize the level of poverty and unemployment which is quite high in Indonesia.

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