ABSTRACT

Economic growth in Indonesia has remained stagnant at around 5% since 2014, thereby missing the government's planning target for economic growth. According to Presidential Regulation No. 18 of 2020, the expected economic growth target was 6% per year. This stagnation is due to uneven economic growth across regions in Indonesia, with only North Maluku and Central Sulawesi provinces achieving high economic growth during this period. Numerous discussions on economic growth have been conducted; however, there are still differences concerning the theoretical factors that can influence economic growth. The purpose of this study is to analyze the factors that can affect economic growth in 34 provinces of Indonesia.

This research employs panel data regression analysis using the Fixed Effect Model (FEM) approach, applying one-tail tests. Using secondary data from 2017 to 2021 for 34 provinces in Indonesia were obtained through BPS publications. The economic growth rate serves as the dependent variable, while Domestic Investment, Foreign Investment, Average Length of Schooling, Formal Labor, Internet Users, and a dummy variable serve as independent variables.

Regression results using the FEM indicate that the independent variables simultaneously influence economic growth in 34 provinces of Indonesia. Partially, the variables PMA, TKF, and PI have a positive and significant impact. In contrast, the variables RLS and the dummy variable have a negative and significant impact on economic growth in 34 provinces of Indonesia. However, the PMDN variable has a positive but not significant effect on economic growth in 34 provinces of Indonesia.

Keywords : Economic Growth, Investment, Labor, Internet Users.