

# The effect of foreign investment, domestic capital investment, sharia investment, and population as drivers of Indonesia's economic growth

Pinny Primastuty\*, Isnaini Harahap<sup>ID</sup>, & Muhammad Ikhsan Harahap<sup>ID</sup>

SERAMBI

Universitas Islam Negeri Sumatera Utara, Medan, Indonesia

35

## Abstract

Economic development improves human resources, public welfare, and national equality. Investment sustains economic development. According to the Harrod-Domar hypothesis, investment increases productivity and economic development. This research seeks to confirm this. The researcher also adopts Umar Chapra's ideas. His views combine Islam with morals to build a healthy economy. Using quantitative methods, this study includes FDI, domestic investment, Islamic investment, population, and GDP as fundamental and related variables. The analysis found that FDI and DCI are the independent variables affecting Indonesia's economic progress. Building a company requires much cash, so Indonesia needs both to strengthen its economy. Islamic investment is still low, and Indonesia's large population has not been well controlled, causing unemployment, low education levels, many health problems, and other problems that hinder economic growth.

## Public interest statements

This analysis found that FDI and DCI are the independent variables affecting Indonesia's economic progress. Building a firm requires a lot of cash, so Indonesia needs both to strengthen its economy. Islamic investment is still low, and Indonesia's large population has not been properly controlled, causing unemployment, low education levels, many health problems, and others that hinder economic growth.

**Keywords:** Investment; Economic growth; economic Islam

**Paper type:** Research paper

✉ Corresponding: Pinny Primastuty  
Email: [pinprimastitu@gmail.com](mailto:pinprimastitu@gmail.com)



© The Author(s) 2025  
This work is licensed under a [Creative Commons Attribution 4.0 International License](https://creativecommons.org/licenses/by/4.0/).

**ARTICLE INFO:**  
Received 9/21/2024  
Revised: 10/23/2024  
Accepted: 10/28/2024  
Online First 11/7/2024



SERAMBI: Jurnal Ekonomi  
Manajemen dan Bisnis Islam,  
Vol 7, No. 1, 2025, 35-52  
eISSN 2685-9904

**Abstrak**

Pembangunan ekonomi meningkatkan sumber daya manusia, kesejahteraan masyarakat, dan kesetaraan nasional. Investasi menopang pembangunan ekonomi. Menurut hipotesis Harrod-Domar, investasi meningkatkan produktivitas dan pembangunan ekonomi. Penelitian ini berusaha untuk mengkonfirmasi hal ini. Peneliti juga mengadopsi gagasan Umar Chapra. Pandangannya menggabungkan Islam dengan moral untuk membangun ekonomi yang sehat. Penelitian ini dengan metode kuantitatif ini mencakup PMA, investasi domestik, investasi Syariah, populasi, dan PDB sebagai variabel fundamental dan variabel terkait. Analisis ini menemukan bahwa PMA dan PMDN adalah dua variabel independen yang paling mempengaruhi kemajuan ekonomi Indonesia. Membangun sebuah perusahaan membutuhkan banyak uang tunai, sehingga Indonesia membutuhkan keduanya untuk memperkuat ekonominya. Investasi syariah yang masih rendah dan jumlah penduduk Indonesia yang besar belum terkendali dengan baik, menyebabkan pengangguran, tingkat pendidikan yang rendah, banyak masalah kesehatan, dan lain-lain yang menghambat pertumbuhan ekonomi.

**Pernyataan kepentingan publik**

Analisis ini menemukan bahwa PMA dan PMDN adalah dua variabel independen yang paling mempengaruhi kemajuan ekonomi Indonesia. Membangun sebuah perusahaan membutuhkan banyak uang tunai, sehingga Indonesia membutuhkan keduanya untuk memperkuat ekonominya. Investasi syariah yang masih rendah dan jumlah penduduk Indonesia yang besar belum terkendali dengan baik, menyebabkan pengangguran, tingkat pendidikan yang rendah, banyak masalah kesehatan, dan lain-lain yang menghambat pertumbuhan ekonomi.

**Kata kunci:** *Investment; Economic growth; economic Islam.*

**Introduction**

The government continues to strive to improve the welfare of all its citizens through various policies that are carried out to accelerate welfare improvement while reducing the community's poverty rate (Nehemia & Prasetya, 2023). Among these policies is encouraging high economic growth, causing the level of community welfare also to increase. Gross domestic product (GDP) indicates whether economic growth in the region has increased or decreased (Manalu et al., 2022). Economic growth is complex and involves many large and small-scale companies, governments, and other parties, especially the community, as economic actors (Zakaria & Baharuddin, 2023). Economic growth is also related to the growth of public finance, including an increase in the quantity and production of manufacturing, infrastructure, the number of schools, and other related developments (Ningsih et al., 2020).

In Islam, economic growth is important and must be by Sharia. If the production factors have increased but the products produced have adverse effects and are harmful to humans, then it is not considered economic growth (Nehemia & Prasetya, 2023). The main objective of economic growth is the welfare of the entire community, not just providing benefits for one party but covering the entire community (Hastin, 2022). The term "economic growth" refers to a rise in a nation's ability to generate goods and services, often quantified by an increase in the country's Gross Domestic Product (GDP).

In the framework of Islamic economics, this growth is not only seen from a quantitative perspective, but it also considers moral principles, social justice, and the welfare of the society. The creation of employment and the transfer of knowledge are two ways in which Foreign Direct Investment (FDI) and Domestic Capital Investment (DCI) may be development drivers. However, to be considered growth drivers, these investments must follow the principles of Sharia and deliver a wide range of benefits to society. In addition, Sharia investments emphasize corporate ethics and social responsibility, encouraging both helpful and sustainable enterprises and contributing to expanded economic opportunities for everybody. In addition, population plays a significant part in economic expansion, provided that it is balanced with sufficient education and skills to enhance quality of life. Therefore, this study can potentially investigate the interaction between these components in producing equitable and sustainable development in Indonesia. In general, economic growth in an Islamic economic framework emphasizes sustainability and the welfare of people rather than just collecting statistical data.

**Table 1**

*Development Data of FDI, DCI, Sharia Investment and Population, and GDP in Indonesia in 2014-2023*

Year	FDI (Trillion RP)	DCI (Trillion RP)	Sharia Stock Investment	Total Population	DCI (Percent)
2014	307.000.0	156.126.3	1.944.531.700	252.165.000	5,01
2015	366.000.0	179.465.9	1.737.290.980	255.462.000	4,88
2016	396.500.0	216.230.8	2.035.189.920	258.705.000	5,03
2017	430.500.0	262.350.5	2.288.015.670	261.891.000	5,07
2018	388.300.0	328.604.9	2.239.507.780	264.161.600	5,17
2019	423.100.0	386.498.4	2.318.565.690	266.911.900	5,02
2020	412.800.0	413.535.5	2.058.772.650	270.203.900	-2,07
2021	460.000.0	447.063.6	2.015.192.240	272.682.500	3,70
2022	654.500.0	552.769.0	2.115.449.410	275.773.800	5,31
2023	743.900.0	674.923.4	2.501.485.690	278.696.200	5,05

Source: CBS, ICB, and FSA

Based on the data in Table 1, Indonesia's economic growth over the past 10 years has averaged 5% in GDP. However, in 2020, the country experienced a decline due to the global pandemic, which brought almost all economic sectors to a standstill. As a result, Indonesia's GDP fell to 2.07%. The impact of the pandemic was felt worldwide, but Indonesia's economy began to recover in 2022, with GDP growth rising from 3.70% the previous year to 5.32% (Machdi, 2020). Investment in Indonesia, both foreign direct investment (FDI) and Domestic Capital Investment (DCI) fluctuates, as seen in the table. While overall increases are insignificant, DCI has consistently grown over the past decade, even during the pandemic. FDI saw declines in 2018 and 2020. Initially, DCI entering Indonesia was greater than FDI, but by 2022 and 2023, FDI surpassed DCI. Furthermore, sharia investment remained stable, showing no significant increases or decreases. Indonesia's population has consistently risen over the last 10 years, making it one of the most populous countries in the world. By 2023, Indonesia's population reached approximately 278,696,200.

Numerous factors contribute to economic growth, one of the most significant being an increase in investment (Azhar, 2020). The investment sector is a key driver of economic growth and development (Desmetika et al., 2024). Capital, essential for production, is acquired through investments and plays a vital role in economic growth (Amanda et al., 2022). Investment is a crucial tool for improving people's welfare, as it represents spending money now with the expectation of future benefits, which can help meet needs and desires (Lubis, 2020). The Harrod-Domar theory posits that capital formation is necessary for improving the economy. Thus, investment is essential for enhancing the capability to produce goods and services, functioning as an "engine of growth" (Widya Putra et al., 2022). According to this theory, increased investment drives up national income because investment is a component of it. Harrod-Domar also stresses that every economy must allocate a portion of its national income to purchase new capital goods, such as materials, equipment, and buildings that may have deteriorated. To foster economic growth, new investments are needed to increase capital (Annisa & Sugiharti, 2023).

Investment is closely related to the capital market, as outlined in Law No. 8 of 1995 concerning the capital market, which plays a significant role in national development. It serves as a vital source of financing for businesses and a means of investment (Mu'arif & Soebagyo, 2023). The capital market allows investors to invest beyond traditional banking methods, such as purchasing stocks, bonds, and mutual funds (Sihombing, 2018). Investment is also seen as a way to prepare for the future by setting aside money for business capital, buying shares, or investing in insurance for future needs (Khairunnisa, 2021). Foreign Direct Investment (FDI) can substantially benefit developing countries, facilitating domestic capital flows and technology transfers that boost income (Hidayat, 2020). According to Aji et al. (2023), investment plays a crucial role in supporting economic growth, with FDI serving as a primary source of investment for business development in Indonesia. FDI can involve building, buying, or acquiring companies (Daulay. et al., 2018). Through economic growth, FDI can help reduce poverty in some countries by creating new job opportunities and increasing consumer spending. Without robust economic growth, a country may struggle to improve its citizens' living standards and income (Z. Siregar, 2022); however, other studies, including those by Muh, Nadzir, and Ade Setyaningrum Kenda, suggest that FDI does not significantly impact economic growth in Indonesia.

Domestic Capital Investment (DCI) is a crucial source of capital that has the potential to drive domestic economic growth (Fauzan & Rahman, 2022). Utilizing DCI will increase both capital stock and productivity. Furthermore, investment from domestic sources is essential for determining income levels and overall output (Zaidi et al., 2019). However, there is a divergence of opinion among researchers regarding the impact of domestic investment on economic growth in Indonesia. Some studies suggest that domestic investment positively influences economic growth (Tarmizi et al., 2020), while others argue that it does not significantly enhance economic growth (Soegoto, 2021). According to Islamic teachings, wealth should not merely be hoarded but productively utilized to benefit all through investment (R. Siregar & Majid, 2023). The words of Allah SWT support this principle:

كَيْ لَا يَكُونَ دُولَةً ۗ بَيْنَ الْأَغْنِيَاءِ مِنْكُمْ

*“So that wealth does not circulate only among the rich among you” (QS, Al\_Hasyr [59]: 7). Source: (Kemenag RI, 2022)*

Sharia investment provides opportunities for the Muslim community to invest by incorporating Sharia principles into the financial sector. This can positively impact investment, particularly in the capital market. Investment typically falls into two categories: direct investment and indirect investment. Direct investment includes entrepreneurship or managing one's business in the real sector. Investing in real sector businesses exemplifies sharia business cooperation, known in Islam as syrah mudharabah. In syirkah mudharabah, there is a business partnership between two or more parties—shohibul mal (the investor) and mudharib (the manager). In this arrangement, the collaborating parties share profits and losses from the business according to their pre-established agreement (Alvaro, 2021). Due to the high risks associated with the business managed by the Mudharib, an aggressive investor profile is required to absorb potential losses. Additionally, another form of direct investment is acquiring and holding assets such as land, buildings, and gold with the expectation that their value will appreciate over time. Indirect investment includes participating in the Islamic capital market by purchasing products like Islamic stocks, mutual funds, and other financial instruments. The aim is for Islamic investment to boost overall investment levels, supporting findings from prior research (Do et al., 2021) that suggest Islamic investment positively influences economic growth.

Research conducted by Yuliani et al. (2023) asserts that economic growth success depends on the levels of savings and investment. An increase in these two factors will likely lead to greater economic growth. Additionally, it is noted that the accumulation of savings and investments drives the early stages of development. Investment originating within a country is called Domestic Direct Investment (DCI), while investment outside the country is termed Foreign Direct Investment (FDI). Yuslem et al. (2022) highlight that both conventional and alternative forms of investment play equally significant roles and influence the economic development of a nation.

According to Immurana (2020), investment fluctuations are affected by changes in the external environment or fundamental information. Consequently, an investor's ability to understand these changes influences their investment decision. Furthermore, an increase in population growth can negatively impact investors, making them pessimistic about potential challenges such as rising unemployment and economic difficulties, which could make the investment landscape less attractive. Conversely, Andriani et al. (2021) argue that a rise in population, particularly among those of productive age, can accelerate the development process. As the economic sector expands, prospective investors are encouraged to consider investing in the country as they see favorable future opportunities. Thus, population growth is expected to affect economic expansion positively.

This research explores the debates and theoretical issues surrounding the relationship between investment and economic growth within the framework of Islamic economics. A key question raised is the extent to which both FDI and DCI can contribute to sustainable and inclusive economic development and their impact on social inequality. There is also debate regarding the role of Islamic investments, which are viewed as more ethical and sustainable than traditional investment models, and how this affects economic development dynamics. Additionally, the study considers the quality of available human resources and investigates the impact of demographics as a driving force for economic growth. It is hoped that this research will provide a comprehensive understanding of the mechanisms of economic growth according to the principles of Islamic economics. Furthermore, it aims to generate relevant policy recommendations to promote equitable and sustainable growth in Indonesia by analyzing the interactions among FDI, DCI, Islamic investment, and demographic factors.

## Case description

### Foreign Direct Investment (FDI)

Foreign Direct Investment (FDI) refers to investment activities that communities engage in continuously to enhance economic activity and employment opportunities, ultimately improving national income and the quality of life for citizens (Asrinda et al., 2022). In line with Neo-Classical Theory, FDI significantly contributes to Indonesia's economic growth. One way foreign investment influences the technical advancement of the investing country is by enabling the adoption of its policies, which can positively affect the gross domestic product (GDP) of the country receiving the investment, as well as the degree of control it has over its economy (D. K. Siregar & Anggraeni, 2022).

This text explores the relationship between FDI and Indonesia's economic expansion, particularly from an Islamic perspective. According to classical economic growth theory, foreign investment can enhance a nation's production capacity through technology transfer, infrastructure improvement, and increased employment opportunities. Within the framework of Islamic economics, it is important to assess whether FDI aligns with Sharia principles, which emphasize social justice, sustainability, and a positive impact on society. From an economic growth standpoint, FDI has a significant and favorable impact. The following sub-hypotheses can be proposed: (1) FDI focused on ethical and sustainable projects contributes more to economic growth than FDI that neglects social considerations; and (2) Higher compliance with Sharia principles in FDI will enhance its positive effect on economic growth. By testing these hypotheses, this research aims to provide deeper insights into the role of FDI as a driver of economic development within Islamic economic values.

### Domestic Capital Investment (DCI)

According to the Central Bureau of Statistics, "domestic investment" refers to investment activities carried out by domestic investors to conduct financial transactions within the country (Andriani et al., 2021). Domestic investment is crucial to encouraging economic development and promoting economic growth. It has the potential to contribute to a more equitable distribution of resources and sustainably improve the population's welfare.

Specifically, investment—often capital—entails government and companies spending to purchase commodities or production equipment to increase economic output (Sari Gustika & Yaspita, 2021).

Indonesia's economic growth is viewed through the lens of Islamic economics; the theory of economic growth states that domestic investment can enhance productivity and innovation by expanding production capacity and creating jobs. Within this framework, domestic capital investment (DCI) is also expected to adhere to social justice and sustainability principles, thereby providing broader benefits to society. Research indicates that DCI has a significant positive impact on Indonesia's economic growth. Furthermore, we can propose two sub-hypotheses: (1) DCI that targets strategic sectors—such as education, health, and infrastructure—will have a greater contribution to economic growth compared to DCI focused on non-productive sectors, and (2) a higher level of compliance with sharia principles in DCI will reinforce its positive effect on economic growth. This study aims to test these hypotheses to better understand the role of DCI as a driver of economic growth in alignment with Islamic economic values.

### **Sharia Investment**

Investment, as defined by Irawan and Siregar (2019), refers to the expenditure of money to acquire capital goods and production equipment. The primary intention behind this is to replace and, especially, to increase the capital goods in the economy, which will be used to produce goods and services in the future. In essence, investment involves spending activities to enhance an economy's productive capacity (Kambono & Marpaung, 2020). Traditional theories emphasize the importance of savings as a crucial source of investment. Investment is widely accepted as one of the main forces driving economic growth and development. The volume of average capital stock per worker is likely to increase more rapidly if the growth rate of investment surpasses that of the population. As the capital-to-labor ratio increases, the output capacity per worker will also improve. Neoclassical economists, such as Solow and Swan, focused on how population growth, capital accumulation, technological progress, and production interact in economic development.

This discussion explores the relationship between Islamic investment and Indonesia's economic growth, emphasizing the principles of Islamic economics. The objective of Islamic investing, grounded in Sharia law, is not merely to generate financial returns but also to yield larger social and economic benefits. In line with sustainable development, investments demonstrating a concern for ethical and social considerations can foster inclusive and sustainable growth.

This research proposes that Islamic investment has a significant and positive impact on the growth of Indonesia's economy. Additionally, the following sub-hypotheses are put forward: (1) Islamic investments focusing on social and sustainable projects contribute more to economic growth than those oriented solely towards financial returns, and (2) a higher degree of compliance with Islamic principles in investments will enhance their positive impact on economic growth. This study aims to provide a deeper understanding of Islamic investment's role as a driver of economic development in accordance with Islamic economic principles.

## Economic Growth

*Economic growth* is a quantitative measure that indicates the progress of an economy in a given year compared to the previous year (Harahap et al., 2022). Generally, it is understood as a metric that describes this trend. Analyzing economic growth is important because it allows for evaluating the effectiveness of government-enacted economic policies to increase economic activity within the country. Numerous theories have been developed regarding economic development, including classical growth theory, neo-classical growth theory, interregional growth models, Keynesian growth theory, economic base theory, and Kuznets growth theory (Okhy et al., 2023).

In Indonesia, economic development is viewed as a result of the interaction of various factors, such as foreign direct investment (FDI), Domestic Direct Investment (DDI), and Islamic investment. According to the economic growth hypothesis, improvements in a nation's production capacity and productivity can be achieved through the accumulation of investments, the generation of innovative ideas, and the development of human resources. From an Islamic economic perspective, economic progress is measured quantitatively and in terms of its impact on social welfare and distributive fairness. This research proposes a hypothesis suggesting that factors such as foreign direct investment (FDI), domestic direct investment (DDI), and Islamic investment significantly contribute to Indonesia's economic development.

## Methods

This research employs quantitative research methods to test hypotheses based on existing theories. Data is systematically collected and analyzed using statistical methods to address the research questions posed. The primary objective is to provide broad generalizations about a specific population or to explore the relationships between the studied variables. Quantitative research methods are typically more structured and focus on measurements that can be quantified numerically (Sugiyono, 2020).

Quantitative research has three key characteristics: the research design remains fixed from beginning to end, meaning the report's title will not change. It addresses a specific problem, and the findings are adjusted to align with real-world realities encountered in the field; thus, the initial problem may differ when applied in practice (Ek Styvén et al., 2022). This research analyzes and interprets the research variables using statistical analysis.

The study was conducted in Indonesia, utilizing secondary data from 2014 to 2023 from sources such as CBS, ICB, and FSA. Data processing was performed using the SPSS version 22 program, which applied multiple linear regression equations to evaluate the data. The regression equation employed to test the hypotheses in this study is:

$$PDB = \alpha + \beta_1 FDI + \beta_2 DCI + \beta_3 IS + \beta_4 JP + \epsilon$$

Description:

GDP = Gross Domestic Product

$\alpha$  = Constant Value

$\beta_1$ -  $\beta_4$  = Regression Coefficient

FDI	= Foreign investment
DCI	= Domestic investment
IS	= Islamic investment
TP	= Total population
$\varepsilon$	= Term of Error

## Results and discussion

In this research, one of the most significant steps is to conduct a normality test analysis using the One-Sample Kolmogorov-Smirnov Test. The purpose of this test is to determine whether the data used, which includes population, economic growth, Foreign Direct Investment (FDI), Domestic Direct Investment (DDI), and Islamic Investment, follow a normal distribution. The method starts with collecting data for the variables that will be evaluated, followed by using the Kolmogorov-Smirnov test, which compares the cumulative distribution of the sample data with the normal distribution. The test statistic D, which represents the greatest disparity between the two distributions, is computed for this test. After that, a p-value is calculated to assess whether the null hypothesis, which states that the data follows a normal distribution, may be accepted or rejected. If the p-value is larger than 0.05, this indicates that there is not sufficient evidence to reject the null hypothesis.

This indicates that the data follows a normal distribution, which allows the linear regression analysis to be carried out with appropriate assumptions. On the other hand, if the p-value is less than 0.05, the null hypothesis is rejected. This indicates that the data does not follow a normal distribution, which may require modification or non-parametric research techniques. The findings of the Kolmogorov-Smirnov test will, consequently, offer significant insights into the characteristics of the data distribution. These findings will impact the selection of suitable analytical methods and the interpretation of research findings concerning the impact of foreign direct investment (FDI), direct domestic investment (DDI), Sharia Investment, and population on the expansion of Indonesia's economy.

**Table 1**

*Normality Test; One Sample Kolmogorov-Smirnov Test*

		Unstandardized Residual
N		39
Normal Parameters <sup>a,b</sup>	Mean	.0000000
	Std. Deviation	.02455006
Most Extreme Differences	Absolute	.086
	Positive	.086
	Negative	-.084
Test Statistic		.086
Asymp. Sig. (2-tailed)		.200 <sup>c,d</sup>

Source: The results of the researcher's data processing, 2024

One of the most important steps in statistical analysis is conducting a normality test to determine if the data follows a normal distribution. In this case, the Kolmogorov-Smirnov Test with a single sample was utilized. The results indicate that the asymptotic significance (2-

tailed) is 0.200, which exceeds the significance threshold of 0.05. This study investigates the impact of Foreign Direct Investment (FDI), Domestic Direct Investment (DCI), Sharia Investment, and population on the growth of Indonesia's economy.

Since the significance value is higher than 0.05, we cannot reject the null hypothesis, which states that the data follows a normal distribution. Consequently, the residuals from the model assessed meet the assumption of normality. This assumption is crucial for ensuring the validity of the regression analysis that will be conducted in the next phase of the research. Establishing this assumption strengthens our confidence in the study's findings regarding the factors driving economic development. Therefore, the results of this normality test enhance the reliability of the analysis in this research.

The results of the F-test are conducted to determine whether all independent variables, as a whole, significantly affect the dependent variable. This is assessed through the significance value; if it is less than 0.05, the independent variables collectively influence the dependent variable, and vice versa. Based on the processed data in the table above, the significance value for the independent variables is 0.000, which is lower than 0.050. This indicates that economic growth is influenced collectively by independent factors. Following a series of tests, including the classical assumption test and the multiple linear regression test, the researchers aim to discuss each independent variable and its impact on economic growth, specifically measured by the growth of Gross Domestic Product (GDP) in Indonesia.

Regarding foreign direct investment (FDI) and its impact on economic growth, the results from the t-test reveal that the significance value for FDI is 0.001 (which is smaller than 0.050). This suggests that FDI has a significant effect on GDP. FDI serves as a vital source of capital for Indonesia's economic development. When investments enter Indonesia, they can be effectively utilized to yield benefits. According to Manalu et al. (2022), foreign investment can create new jobs, addressing one of Indonesia's largest challenges: unemployment. Additionally, foreign investment can introduce new businesses connecting to various markets, opening up additional export opportunities and enhancing overall export performance.

**Table 2.**  
Regression results

Variable	$\beta$	SE	P-value
Foreign Direct Investment (FDI)	.179	.047	.001
Domestic Capital Investment (DCI)	.356	.024	.000
Sharia Industry	.079	.098	.428
Total Population	-.075	0.58	.203
R <sup>2</sup>	.971	.967	
F-Statistics	7.962	1.284	.000

Source: The results of the researcher's data processing, 2024

Based on the results presented in the table above, the multiple linear regression equation is formulated as follows:

$$\text{GDP} = 7.962 + 0.179 \text{ FDI} + 0.356 \text{ DCI} + 0.079 \text{ SI} - 0.075 \text{ TP} + \epsilon$$

This equation indicates that if all independent variables are held at 0% (i.e., no change), the GDP value would be 7.962. The positive constant of 7.962 suggests a baseline level of GDP. The regression coefficients for Foreign Direct Investment (FDI), Domestic Capital Investment (DCI), and Sharia Investment (SI) are positive, with values of 0.179, 0.356, and 0.079, respectively. This means that if FDI, DCI, and SI each increase by 1%, the GDP will increase by the respective coefficient value for each variable, assuming all other independent variables remain constant. The positive signs indicate a positive relationship between these independent variables and GDP. Conversely, the population variable (TP) coefficient is negative at -0.075. This indicates a negative relationship: when the population variable increases by 1%, GDP will decrease by 0.075, with all other variables held constant.

Table 2 also presents the results of the partial (t) test. The significance value for the FDI variable is 0.001 (which is less than 0.050), indicating that FDI has a significant effect on GDP. The significance value for the DCI variable is 0.000 (also less than 0.050), showing that DCI significantly affects GDP. In contrast, the significance values for the Islamic Investment (IS) variable and the Population (JP) variable are 0.428 and 0.203, respectively, which are greater than 0.050, indicating that these variables do not significantly affect GDP. In conclusion, only the FDI and DCI variables significantly positively impact GDP, while the IS and JP variables do not significantly affect GDP.

The amount of capital entering Indonesia is not significantly different when comparing foreign and domestic investment. Data analysis indicates that domestic investment has a noteworthy effect on Indonesia's economic growth. This finding aligns with the research by Daulay et al. (2023), which states that domestic investment positively influences economic growth. As investment within the country increases, economic growth also rises, leading to an enhanced production of goods and services. Therefore, each region needs to invest in order to improve the quality of its production.

Investment should be diversified across various economic sectors to expand the market and enable products to compete effectively, ultimately achieving higher selling prices. This approach must prioritize fair distribution of wealth and resources, following the principles of Islamic economic justice, to support small and medium enterprises. Ensuring that all individuals, not just certain groups, can benefit from economic growth and access available resources is vital.

The significance value for the Sharia investment variable is 0.428, greater than the threshold of 0.050, indicating that Sharia investment does not significantly affect GDP. In Indonesia, many people remain unaware of Sharia investment options. According to data from OJK, the volume of incoming Sharia investments is still relatively low, limiting their impact on the Indonesian economy. However, there is hope that Sharia investment can attract Muslim investors who are interested in investing but are hesitant about the halal benefits associated with it. By participating in Sharia investment, these investors can channel their money in a way that aligns with their values.

According to data from the BPS, Indonesia's total population in 2023 is 278,696,200. However, a significance value of 0.203 indicates that the population variable has no significant effect on GDP, based on research conducted by Zakaria and Baharuddin (2023). They explain that a large population can obstruct economic growth, contrary to government expectations that a growing population should positively impact economic development.

Despite Indonesia's demographic bonus of a sizable working-age population, this advantage is undermined by the workforce's insufficient skills and abilities. The quality of labor remains low, and there aren't enough job opportunities to accommodate all potential workers, leading to increasing unemployment – a significant issue for Indonesia's economy.

Indonesia's population of over 270 million presents substantial potential for economic growth. From an Islamic perspective, a large population is regarded as a mandate that must be effectively managed. This demographic can serve as a productive human resource if managed well, providing essential labor to support various industrial sectors. However, a significant challenge arises when job creation does not keep pace with population growth. High unemployment rates can lead to serious social issues, including poverty and instability. Consequently, government policies aimed at job creation are crucial. Skills development and improved education are also necessary to enable the workforce to meet market demands.

A synergistic approach to managing Foreign Direct Investment (FDI), Domestic Capital Investment (DCI), and Islamic investments is essential to create a robust economic ecosystem. Policies that promote inclusivity and sustainability can foster fair and equitable growth. The government should actively work to create a conducive investment climate by incentivizing investors and ensuring worker protection. Furthermore, raising public awareness about the values of Islamic investments is vital to encourage more economic actors to engage in ethical and sustainable investment models.

This study demonstrates that if FDI, DCI, and Islamic investments are managed holistically, they can significantly contribute to Indonesia's economic growth. By adopting approaches based on Islamic principles, Indonesia can achieve high economic growth and create a just and prosperous society. This strategy fosters a synergy between economic and social interests, ultimately enhancing its citizens' overall quality of life.

## Conclusion

The results of this research indicate that foreign direct investment (FDI) and Domestic Capital Investment (DCI) significantly contribute to increasing production capacity and creating jobs, provided that the investments adhere to Sharia principles. This adherence helps prevent practices that could harm the community. Sharia investment proves to be an effective alternative, as it not only seeks financial returns but also emphasizes positive social impacts. Indonesia's large population has the potential to be a valuable asset if managed properly; however, the challenges of unemployment and poverty must be addressed seriously. This research offers several important benefits, both theoretical and practical. First, it provides a detailed understanding of how FDI, DCI, and Islamic investment influence Indonesia's economic growth, offering comprehensive insights into the interactions of these factors within a social and economic context.

Additionally, the findings serve as a reference for policymakers to formulate more effective strategies for attracting and managing investments. Policy recommendations based on Sharia principles are anticipated to enhance social justice and support economic sustainability. This research also contributes to raising public awareness and encouraging

economic actors to recognize the importance of Sharia-compliant investments, which can positively impact social welfare.

The study integrates FDI, DCI, and Islamic investment into a unified analytical framework to better understand Indonesia's economic progress. Given the growing emphasis on ethical investment in Muslim-majority Indonesia, Islamic investment as a sustainable and ethical option is particularly significant. The research addresses economic and social implications relevant to societal welfare. Moreover, the study aligns with Indonesia's current economic development strategies and advances Islamic economic theory by presenting facts and analyses on managing assets for optimal and sustainable returns. However, the study has certain limitations, including a focus on a few investment characteristics that may not encompass all determinants of economic development. It also did not examine the long-term impact of these investments on people's welfare. Future research should aim for a more comprehensive approach using longitudinal analysis, comparing investments and their effects on broader social sectors. Qualitative studies could illuminate Indonesians' perspectives on Islamic investments and their socioeconomic impact.

## References

- Aji, G., Tsani Salsabila, P., Nur stiqomah, M., & Ningrum, M. (2023). Analisis Pmdn, Pma, Inflasi, Dan Tenaga Kerja Terhadap Pertumbuhan Ekonomi Indonesia. *Trending: Jurnal Manajemen Dan Ekonomi*, 1(3), 250–267. <https://doi.org/10.30640/TRENDING.V1I3.1150>
- Alvaro, R. (2021). Pengaruh investasi, tenaga kerja, serta ekspor terhadap pertumbuhan ekonomi. *Jurnal Budget: Isu Dan Masalah Keuangan Negara*, 6(1), 2021.
- Amanda, P., Ayu AlharaniYS, T., Indriyanti, P., & Sri Rindiyani, R. (2022). Analisis Pengaruh Pertumbuhan Ekonomi Terhadap Realisasi Investasi Asing Dan Investasi Dalam Negeri Di Indonesia Tahun 2018-2021. *Cemerlang : Jurnal Manajemen Dan Ekonomi Bisnis*, 2(4), 55–69. <https://doi.org/10.55606/CEMERLANG.V2I4.404>
- Andriani, V., Muljaningsih, S., & Asmara, K. (2021). Analisis Pengaruh Penanaman Modal Asing, Ekspor, Utang Luar Negeri, Dan Tingkat Inflasi Terhadap Produk Domestik Bruto Indonesia. *Equilibrium: Jurnal Ilmiah Ekonomi, Manajemen Dan Akuntansi*, 10(2). <https://doi.org/10.35906/JE001.V10I2.777>
- Annisa, N., & Sugiharti, R. (2023). Analisis Pengaruh Investasi dan Ekspor Terhadap Pertumbuhan Ekonomi di Jawa Barat. *Integral: Jurnal Inovasi, Teknologi Terapan, Dan Litbang*, 2(1), 55–70. <https://doi.org/10.57122/INTEGRAL.V2I1.7>
- Asrinda, D., Iriani, R., & Setiawati, S. (2022). Pengaruh investasi asing, ekspor neto dan tenaga kerja terhadap pertumbuhan ekonomi Indonesia. *Equilibrium: Jurnal Ilmiah Ekonomi, Manajemen Dan Akuntansi*, 11(2), 50–58. <https://doi.org/10.35906/EQUILI.V11I2.1114>
- Azhar, E. F. (2020). Analisis Faktor Faktor yang Memengaruhi Penyerapan Tenaga Kerja di Kota Bekasi Tahun 2000-2019. *Dspace.Uii.Ac.Id*. <https://doi.org/https://dspace.uui.ac.id/handle/123456789/29260>
- Daulay, A. H., Asmuni, A., & Harahap, I. (2023). Investment, Islamic Human Development Index and Banking Financing on Economic Growth and Their Impact on Labor Absorption. *Amwaluna: Jurnal Ekonomi Dan Keuangan Syariah*, 7(2), 339–346. <https://doi.org/10.29313/AMWALUNA.V7I2.12493>
- Daulay, T. M. (2018). Pengaruh penanaman modal asing dan penanaman modal dalam negeri

terhadap pertumbuhan ekonomi di Indonesia tahun 1994-2016. *Etd.Uinsyahada.Ac.Id.*

- Desmawan, D., Falah, R. S., Aulia Drajat, N., Witasya Diani, N., & Marlina, S. (2023). Pengaruh Jumlah Penduduk Terhadap Pertumbuhan Ekonomi di Kabupaten Tangerang Tahun 2019-2020. *Jurnal Penelitian Ekonomi Manajemen Dan Bisnis*, 2(2), 150-157. <https://doi.org/10.55606/JEKOMBIS.V2I2.1543>
- Desmetika, D., Pangiuk, A., & Subhan, M. (2024). Pengaruh Investasi Dan Tenaga Kerja Terhadap Pertumbuhan Ekonomi Di Provinsi Jambi. *Muqaddimah: Jurnal Ekonomi, Manajemen, Akuntansi Dan Bisnis*, 2(2), 163-174. <https://doi.org/10.59246/MUQADDIMAH.V2I2.725>
- Do, Q. A., Le, Q. H., Duong Nguyen, T., Vu, V. A., Tran, L. H., Thi, C., Nguyen, T., Anh, Q., Le, H., Gherghina, S. C., & Hamori, S. (2021). Spatial Impact of Foreign Direct Investment on Poverty Reduction in Vietnam. *Journal of Risk and Financial Management*, 14(7), 292. <https://doi.org/10.3390/JRFM14070292>
- Ek Styvén, M., Näppä, A., Mariani, M., & Nataraajan, R. (2022). Employee perceptions of employers' creativity and innovation: Implications for employer attractiveness and branding in tourism and hospitality. *Journal of Business Research*, 141, 290-298. <https://doi.org/10.1016/J.JBUSRES.2021.12.038>
- Fauzan, A., & Rahman, A. (2022). Pengaruh Investasi Terhadap Penyerapan Tenaga Kerja dan Pertumbuhan Ekonomi di Provinsi Sulawesi Selatan. *ICOR: Journal of Regional Economics*, 3(1), 1-8. <https://journal3.uin-alauddin.ac.id/index.php/icor/article/view/28311>
- Harahap, M. I., Imsar, I., & Dongoran, R. N. (2022). Pengaruh Sukuk Korporasi dan Total Aset Perbankan Syariah Terhadap Pertumbuhan Ekonomi di Indonesia Tahun 2016-2020. *Jurnal Ilmiah Ekonomi Islam*, 8(1), 370-375. <https://doi.org/10.29040/JIEI.V8I1.3592>
- Hastin, M. (2022). Pengaruh inflasi, investasi, dan tenaga kerja terhadap pertumbuhan ekonomi di provinsi Jambi. *Al Dzahab: Journal of Economics, Management, Business and Accounting*, 3(1), 61-78. <https://doi.org/10.32939/DHB.V3I1.1122>
- Hidayat, A. N. (2020). Pengaruh Penanaman Modal Asing (PMA), Penanaman Modal Dalam Negeri (PMDN), Tenaga Kerja dan Inflasi Terhadap Pertumbuhan Ekonomi di Provinsi Lampung Dalam Perspektif Ekonomi Islam Tahun 2007-2017. *Repository.Radenintan.Ac.Id.*
- Immurana, M. (2020). How does FDI influence health outcomes in Africa? *African Journal of Science, Technology, Innovation and Development*, 1-11. <https://doi.org/10.1080/20421338.2020.1772952>
- Irawan, I., & Siregar, Z. A. (2019). Pengaruh Saham Syariah, Sukuk dan Reksadana Syariah Terhadap Pertumbuhan Ekonomi Indonesia (Tahun 2012 - Tahun 2017). *TANSIQ: Jurnal Manajemen Dan Bisnis Islam*, 0(0). <https://jurnal.uinsu.ac.id/index.php/tansiq/article/view/4848>
- Jayanti, S. (2019). Pengaruh Penanaman Modal Dalam Negeri, Penanaman Modal Asing dan Angkatan Kerja Terhadap Pertumbuhan Ekonomi Provinsi Sumatera Utara. *Repository.Uinsu.Ac.Id.*
- Kambono, H., & Marpaung, E. (2020). Pengaruh Investasi Asing dan Investasi Dalam Negeri Terhadap Perekonomian Indonesia. *Jurnal Akuntansi*, 12(1), 137-145. <https://doi.org/10.28932/JAM.V12I1.2282>
- Kemenag RI. (2022). Qur'an Kemenag. In *Lajnah Pentashihan mushaf Al-Qur'an*.

<https://quran.kemenag.go.id/>

- Khairunnisa, A. (2021). Analisis Pengaruh PMDN, PMA, DPK Dan Pembiayaan Perbankan Syariah Terhadap Pertumbuhan Ekonomi Di Sumatera Utara. *Repository.Uinsu.Ac.Id*.
- Lubis, M. (2020). Pengaruh pengeluaran infrastruktur dan tenaga kerja terhadap penanaman modal asing di Provinsi Jawa Barat tahun 2012-2018. *Etd.Uinsyahada.Ac.Id*.
- Machdi, I. (2020). Statistik Indonesia 2022. *Statistik Indonesia 2020*, 1101001, 790. <https://www.bps.go.id/id/publication/2024/02/28/c1bacde03256343b2bf769b0/statistik-indonesia-2024.html>
- Manalu, Y., Novika, D., & Ganumba, R. (2022). Pengaruh Penanaman Modal Dalam Negeri (PMDN) Dan Penanaman Modal Asing (PMA) Terhadap Produk Domestik Regional Bruto Di Provinsi Sumatera Utara Tahun 2010-2020 | Br Manalu | Ekonomi Bisnis Manajemen dan Akuntansi (EBMA). *Konomi Bisnis Manajemen Dan Akuntansi (EBMA)*. <https://jurnal.ulb.ac.id/index.php/ebma/article/view/3518>
- Mu'arif, R. F., & Soebagyo, D. (2023). Analisis Determinan Pertumbuhan Ekonomi di Indonesia Tahun 2005-2020. *Ekonomis: Journal of Economics and Business*, 7(2), 796-804. <https://doi.org/10.33087/EKONOMIS.V7I2.915>
- Nehemia, S. D., & Prasetya, F. (2023). Analisis Pengaruh Penanaman Modal Dalam Negeri dan Penanaman Modal Asing terhadap Pertumbuhan Ekonomi Inklusif Di Indonesia. *Journal of Development Economic and Social Studies*, 2(1), 26-37. <https://doi.org/10.21776/JDESS.2023.02.1.3>
- Ningsih, D. S., . H., & Hodijah, S. (2020). Pengaruh Penanaman Modal Dalam Negeri (PMDN), Penanaman Modal Asing (PMA), Ekspor dan Impor Terhadap Pertumbuhan Ekonomi Provinsi Jambi. *Jurnal Paradigma Ekonomika*. <https://online-journal.unja.ac.id/paradigma/article/view/10328>
- Okhy, E., Nasution, A. B., Putri, L., Nasution, L., Agustina, M., & Tambunan, K. (2023). Pertumbuhan Ekonomi Dalam Perspektif Islam. *Journal of Management and Creative Business*, 1(1), 63-71. <https://doi.org/10.30640/JMCBUS.V1I1.484>
- Sari Gustika, G., & Yaspita, H. (2021). Pengaruh Literasi Keuangan Terhadap Keputusan Investasi Mahasiswa STIE Indragiri Rengat. *J-MAS (Jurnal Manajemen Dan Sains)*, 6(1), 261-269. <https://doi.org/10.33087/JMAS.V6I1.252>
- Sihombing, N. (2018). Pengaruh ekspor dan investasi terhadap pertumbuhan ekonomi di Provinsi Sumatera Utara. *Etd.Uinsyahada.Ac.Id*.
- Siregar, D. K., & Anggraeni, D. R. (2022). Pengaruh Literasi Keuangan Dan Perilaku Keuangan Terhadap Keputusan Investasi Mahasiswa. *Bussman Journal : Indonesian Journal of Business and Management*, 2(1), 96-112. <https://doi.org/10.53363/BUSS.V2I1.39>
- Siregar, R., & Majid, M. S. A. (2023). Pembangunan Ekonomi dalam Perspektif Islam. *Jurnal EMT Kita*, 7(1), 71-82. <https://doi.org/10.35870/EMT.V7I1.722>
- Siregar, Z. (2022). Pengaruh penanaman modal dalam negeri dan penanaman modal asing terhadap pertumbuhan ekonomi Indonesia. *Jurnal Akuntansi*.
- Soegoto, H. S. (2021). Peran PMDN dan PMA Terhadap Penurunan Angka Kemiskinan Di Indonesia. *Jurisma: Jurnal Riset Bisnis & Manajemen*, 12(1), 1-15. <https://doi.org/10.34010/JURISMA.V12I1.5838>
- Sugiyono. (2020). *Metode Penelitian Kuantitatif, Kualitatif dan R&D*.

- Tarmizi, T., Hodijah, S., & Rosmeli, R. (2020). Pengaruh penanaman modal dalam Negeri, penanaman modal asing dan ekspor terhadap PDRB Provinsi Jambi Periode 2000- 2016. *E-Journal Perdagangan Industri Dan Moneter*, 8(3), 155-164. <https://doi.org/10.22437/PIM.V8I3.7273>
- Widya Putra, F., Ariani, N., & Nofrian, F. (2022). Analisis Relevansi Penanaman Modal Asing, Modal dalam Negeri dan Upah Minimum terhadap Penyerapan Tenaga Kerja di Indonesia 1990 - 2019. *Jurnal Indonesia Sosial Sains*, 3(04), 708-719. <https://doi.org/10.59141/JISS.V3I04.571>
- Yuliani, N. M., Fuadi, A. B., Arkan, M. N., Ghaisani, S., & Helmi, Y. (2023). Pengaruh PMA dan PMDN Terhadap Pertumbuhan Ekonomi Pada 34 Provinsi di Indonesia. *JEMeS - Jurnal Ekonomi Manajemen Dan Sosial*, 6(2), 43-50. <https://doi.org/10.56071/JEMES.V6I2.612>
- Yuslem, N., Soemitra, A., & Elfi Barus, E. (2022). Financial Technology-Based Sariah Cooperative Development Strategy in Indonesia. *Journal "Financial Technology-Based Sariah Cooperative Development Strategy in Indonesia: English". IQTISHODUNA: Jurnal Ekonomi Islam*, 11(2), 207-222. <https://doi.org/10.54471/iqtishoduna.v11i2.1760>
- Zaidi, S. A. H., Wei, Z., Gedikli, A., Zafar, M. W., Hou, F., & Iftikhar, Y. (2019). The impact of globalization, natural resources abundance, and human capital on financial development: Evidence from thirty-one OECD countries. *Resources Policy*, 64, 101476. <https://doi.org/10.1016/J.RESOURPOL.2019.101476>
- Zakaria, J., & Baharuddin, D. (2023). Pengaruh Penanaman Modal Asing, Penanaman Modal dalam Negeri, dan Belanja Modal terhadap Industri Pengolahan dan Produk Domestik Regional Bruto di Provinsi Sulawesi Selatan. *Journal on Education*, 5(3), 9432-9447. <https://doi.org/10.31004/JOE.V5I3.1812>

## Author information

### Author details

Universitas Islam Negeri Sumatera Utara, Medan, Indonesia

Pinny Primastuty, Isnaini Harahap, & Muhammad Ikhsan Harahap

### Contributions

All authors contribute equally in the research and publication process

### Corresponding author

Correspondence to Pinny Primastuty

### Ethics declarations

#### Funding

The author(s) received no financial support for the research, authorship, and/or publication of this article.

### Availability of data and materials

Data sharing is not applicable to this article as no new data were created or analyzed in this study.

### Competing interests

No potential competing interest was reported by the authors

### Additional information

#### Publisher's Note

Imperium Research Institute remains neutral with regard to jurisdictional claims in published maps and institutional affiliations

### Rights and permissions

Open Access. This article is licensed under a Creative Commons Attribution 4.0 International License, which permits use, sharing, adaptation, distribution and reproduction in any medium or format, as long as you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons licence, and indicate if changes were made. To view a copy of this licence, visit <http://creativecommons.org/licenses/by/4.0/>.

### Cite this paper:

Primastuty, P., Harahap, I., & Harahap, M. (2024). The effect of foreign investment, domestic capital investment, sharia investment, and population as drivers of Indonesia's economic growth. *SERAMBI: Jurnal Ekonomi Manajemen Dan Bisnis Islam*, 7(1), 35-52. <https://doi.org/10.36407/serambi.v7i1.1458>



### SERAMBI: Jurnal Ekonomi Manajemen dan Bisnis Islam

Publisher : LPMP Imperium.  
Frequency : 3 issues per year (April, August & December).  
ISSN (online) : [2685-9904](https://doi.org/10.36407/serambi.v7i1.1458).  
DOI : Prefix 10.36407.  
Accredited : SINTA 3  
Editor-in-chief : Prof. Dr. Suryani  
Indexed by : [Google Scholar](https://scholar.google.com/), [Garuda](https://www.garuda.kemdikbud.go.id/), [Master List Copernicus](https://www.masterlistcopernicus.com/)