The Effect of Tax Revenue and Inflation on Economic Growth in Indonesia 1994-2024

Original Article

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Abstract

This research seeks to examine and evaluate how tax revenue and inflation impact Indonesia's economic growth from 1994 to 2024. The researchers employed an explanatory methodology with a quantitative framework, utilizing time series secondary data sourced from Indonesia's Central Statistics Agency (BPS). The analytical approach involved multiple linear regression analysis conducted through Eviews 12 software, complemented by t-tests and F-tests to assess the statistical significance of how independent variables influence the dependent variable. The findings reveal that when examined individually, tax revenue demonstrates a positive and statistically significant relationship with economic growth, while inflation shows a negative but statistically insignificant relationship with Indonesia's economic growth during the study period. When analyzed collectively, both tax revenue and inflation variables demonstrate a positive and statistically significant combined effect on Indonesia's economic growth throughout the 1994-2024 timeframe.

Keywords: Economic Growth, Inflation, Indonesia, Tax Revenue, Time Series Analysis.

1. Introduction

Indonesia's economic growth has been driven, among other factors, by tax reforms that began with the implementation of Law No. 6 of 1983 on General Provisions and Tax Procedures. This reform aimed to establish an effective and efficient tax system to increase state revenue. Increased tax revenue has a direct impact on national development and people's welfare. The success of the reform can be seen from tax revenue exceeding targets and the increasing number of taxpayers. In the last decade, modernization of tax administration through the use of information technology has further strengthened this process and is expected to continue driving national economic growth (Saragih, 2018).

Economic growth is crucial in improving people's welfare, which is reflected in increased income (Nugraheni & Islami, 2024). The role of economic growth encourages the Indonesian government to strive to increase production capacity to add output, which is measured through Gross Domestic Product (GDP). According to the GDP, economic growth involves increasing production capacity in order to generate more output in the long run. When GDP increases, it subsequently causes economic growth to increase as well (Zahara & Amri, 2024).

Gross Domestic Product (GDP) at constant prices shows fluctuations from year to year. In 1994, it was recorded at Rp 354,640.8 billion and continued to increase until 1997, reaching Rp 433,245.9 billion, then decreased in 1998 to Rp 376,374.9 billion. This value increased gradually again until 2000, reaching Rp 398,016.9 billion. A significant jump occurred in 2001 with a value of Rp 1,442,984.6 billion and continued to rise each year, reaching Rp 2,464,566.1

billion in 2011. Another large increase was seen in 2012 with GDP of Rp 7,727,083.4 billion, then continued to grow until reaching Rp 10,949,155.4 billion in 2019. In 2020, there was a decrease to Rp 10,722,999.3 billion, then it increased continuously until 2024, reaching Rp 12,920,281.7 billion (BPS Indonesia, 2025).

Taxation is intricately linked to economic development and is seen as a reflection of the core principles of Pancasila, contributing significantly to the well-being of the population and advancement of the country. Tax plays a critical role in funding the government's activities and investing in growth. The level of taxation directly impacts the government's ability to cover its expenses (Taqwa & Yunus, 2023). Tax functions as a strategic source of state income, as well as a fund transfer mechanism for providing public services through government authority. Tax policies, including export taxes, affect gross domestic income and serve as the main instrument in meeting state budget needs and supporting economic stability and progress (Raysharie et al., 2024).

Tax revenue in Indonesia shows an increasing trend from 1994 to 2024. Revenue was recorded at Rp 28,850.30 billion in 1994 and increased gradually to Rp 102,394.2 billion in 1999. The increase continued until reaching Rp 490,988.6 billion in 2008 and jumped to Rp 658,700.8 billion in 2009. There was a decrease in 2010 of Rp 619,922.2 billion, but it increased again in subsequent years until reaching Rp 1,077,306.7 billion in 2014. In 2020, revenue reached Rp 1,546,141.00 billion and decreased in 2021 to Rp 1,285,136.30 billion. Revenue increased again in 2022 and reached its highest figure in 2024 at Rp 2,154,208.20 billion (BPS Indonesia, 2025).

While tax revenue tends to show significant increasing trends along with various tax reforms and administrative modernization, Indonesia's economic growth still faces challenges due to fairly sharp inflation fluctuations, especially during crisis periods such as 1998 and several subsequent years. This condition creates uncertainty in maintaining economic stability, so a deeper understanding is needed regarding how tax revenue and inflation rates jointly affect the pace of national economic growth in the long term.

Inflation is considered a crucial element that impacts the economic development of a nation. Phillips, in 1958, found that elevated inflation levels could potentially improve economic growth by bringing down the rate of unemployment. This viewpoint is in agreement with the opinions of structuralists and Keynesians, who argue that inflation does not necessarily hinder economic development. A different view comes from monetarists who consider inflation dangerous for economic growth. In 1970, there were occurrences that reinforced the belief that high inflation, particularly in Latin American countries, resulted in economic growth setbacks, indicating that inflation can have adverse effects on the economy.

Indonesia's inflation rate from 1994 to 2024 experienced fluctuations with the highest spike occurring in 1998 at 77.63 percent. The years before 1998 showed relatively stable inflation, such as 9.24 percent in 1994 and 6.47 percent in 1996. After the crisis, inflation dropped drastically in 1999 to 2.01 percent then rose again in 2001 to 12.55 percent. 2005 recorded a significant increase of 17.11 percent then declined again in subsequent years. 2010 to 2019 showed a tendency for more controlled inflation below 10 percent. 2020 recorded low inflation of 1.68 percent and continued to decline until reaching its lowest point in 2024 at 1.57 percent.

Based on research conducted by Permana & Nursaidah (2022), it shows that the increase in gross domestic product has had a beneficial impact on tax revenue from 2012 to 2017. Research conducted by Saragih (2018) also shows that tax revenue has a positive and significant effect on economic growth in Indonesia's provinces during 2013-2016. Research conducted by Basia & Umabaihi (2024), conversely, shows that tax revenue does not

significantly affect Indonesia's economic growth from 1988-2022 both in the short term and long term. Similar research conducted by Karlina & Lubis (2023) states that income tax, VAT, and luxury goods sales tax revenue partially and simultaneously do not affect economic growth for 2017-2021. Research conducted by Suryani & Sudarsono (2024) also shows that partially economic growth does not affect tax revenue in 14 Indonesian provinces for 2018-2022.

Research conducted by Salim & Fadilla (2021) shows inflation was found to exert an impact on Indonesia's Gross Domestic Product (GDP) throughout the years 2016 to 2020. Research conducted by Dwi & Pasaribu (2023) shows that Inflation is found to positively and significantly affect Indonesia's economic growth between the years 2013. Ardiansyah (2017) shows that inflation has a negative and significant effect on economic growth in Indonesia.

Previous study shows that tax revenue and inflation have diverse effects on economic growth, influenced by differences in time periods, regions, and approaches and variables used in each study. Some research finds that tax revenue and inflation provide positive and significant impacts on economic growth, while other research concludes there is no significant effect. These variations in findings indicate the importance of conducting studies that consider comprehensive conditions and contexts in analyzing the relationship between these three variables. The goal of this study is to investigate the impact of tax revenue and inflation on different aspects of economic growth in Indonesia over a thirty-year period, from 1994 to 2024, looking at both individual and combined effects.

2. Literature Review

2.1. Economic Growth

Economic growth involves the ongoing improvement of a nation's economic situation over a specific timeframe. This process is characterized by increased supply of goods, technological progress, and efficient use of technology in accordance with prevailing institutions and ideology. The main objective of economic growth is to increase national income or real GNP. A country is said to experience economic growth if there is a continuous increase in production and income (Yunianto, 2021).

According to Michael & Smith (2004), there are six main characteristics of the economic growth process in various countries. These characteristics include high per capita output and population growth, increased productivity of production factors, structural economic transformation, social and ideological changes, economic expansion to other regions as markets and sources of new raw materials, and economic growth that tends to be limited to only reaching one-third of the world's population.

2.2. Tax

Tax refers to a compulsory payment that must be made by individuals or businesses to the government, which is coercive according to legal provisions, without direct compensation, and is used as much as possible for the people's prosperity. Paying taxes is a way for citizens to fulfill their responsibilities and contribute to the government's funding and growth. In the realm of tax law, taxes are viewed not only as a duty but also as a privilege that allows citizens to play a role in sustaining the state (Aulia, 2022).

A tax is a compulsory payment made by individuals or organizations to the government in accordance with Law No. 28 of 2007 concerning General Provisions and Tax Procedures. Taxes do not result in immediate benefits for the payers, but are rather utilized to fund government expenses for the overall well-being of the population. Tax is a people's contribution regulated by law to finance public interests, both in the form of money and goods.

Tax has a budget (*budgetair*) function for development and a regulatory (*regulerend*) function, and contains elements of obligation to the state, legal basis, coercive nature, and no direct reciprocal service (Wijaya, 2021).

2.3. Inflation

Inflation is a condition characterized by a decrease in currency value due to continuous price increases. Inflation does not occur if only one or two goods experience simultaneous price increases. Inflation is a serious problem that affects price stability and reflects a country's economic condition. Inflation is a phenomenon that can trigger increased public purchasing power, although the currency value actually decreases. Inflation is an important indicator in assessing overall economic health (Raysharie et al., 2024).

Inflation is a condition when there is a comprehensive and continuous price increase caused by the mismatch between goods procurement programs and individual income levels in a country. Increased production costs drive up selling prices of goods, while community income remains constant, so in the long term it can trigger financial pressure. This phenomenon reflects an imbalance between goods availability and community purchasing power, which is a main characteristic of inflation.

2.4. Relationship between Tax Revenue and Economic Growth

Various studies continue to discuss the correlation between tax revenue and economic growth. Saragih (2018) found that tax revenue has a positive effect on economic growth in 34 provinces in Indonesia. Orbaningsih & Sujianto (2022) show there is a strong connection between the amount of taxes collected and the overall expansion of the economy. Further, Mdanat et al. (2018) note that tax revenue can detrimentally affect the growth of the economy.

2.5. Relationship between Inflation and Economic Growth

Inflation is an important indicator in assessing economic stability and performance toward growth. Muchdie (2016) explained that inflation has a negative effect on economic growth. Daniel (2018) found that inflation has a negative impact on economic growth in Jambi City. N. J. Salim et al. (2021) show that inflation affects Indonesia's economic growth. Mandeya & Ho (2021) stated that inflation in South Africa negatively impacts economic growth in both short and long term. Hartati (2020) revealed that inflation does not significantly affect Indonesia's economic growth. Ditha (2011) shows that increasing inflation can drive economic growth. Umaru & Zubairu (2012) conveyed that inflation has a positive impact on economic growth. López-Villavicencio & Mignon (2011) explained that the relationship between inflation and economic growth is non-linear, depending on the level of inflation that occurs.

3. Methods

This research uses explanatory research methods. According to Sugiyono (2017), explanatory research is a research method that aims to explain the position of variables studied and the influence between one variable and another. This study involves quantitative research that utilizes secondary data as its primary source. The data for this research is obtained from BPS Indonesia and consists of time series data spanning from 1994 to 2024.

According to Sugiyono (2017), research variables are everything that becomes the object of observation to be analyzed and concluded. The research in question defines the variables in use in the following manner:

3.1. LOG X1t-1 (Tax Revenue)

This variable represents the total state revenue from taxes. In this research, the tax revenue variable used as one of the independent variables is transformed using the natural logarithm form of the lag-1 value (log(lag-1)). Natural logarithm transformation is used to stabilize data variance, reduce potential heteroscedasticity, and facilitate interpretation of coefficient elasticity in linear regression models, as explained by Gujarati & Porter (2009). Additionally, the use of lag-1 or lag-1 value is intended to capture the effect of tax revenue on economic growth with a time lag. This explains that tax revenue in a certain year does not necessarily directly affect economic growth in the same year, but only shows its impact in the following year (Musgrave & Musgrave, 1976). Therefore, the log(lag-1) transformation is seen as an appropriate method to represent the relationship between tax revenue and economic growth in this research model. In this research, tax revenue data is measured in billion rupiah per year for the 1994–2024 period and sourced from the Central Statistics Agency (BPS).

3.2. X2 Inflation

The rate at which prices of goods and services rise steadily over time reflects the degree of price stability within the economy. This study measures inflation by percentage using data provided by the Central Statistics Agency (BPS) for the period between 1994 and 2024.

3.3. LOG Y GDP

The variable in question represents Gross Domestic Product (GDP), a measure of the overall worth of goods and services created by a country's economy in a year, typically used as a key gauge of economic expansion. In this research, GDP is calculated in billion rupiah based on constant prices and covers the 1994–2024 period, with data obtained from the Central Statistics Agency (BPS). Logarithm transformation is used to reduce large data fluctuations, simplify relationships between variables, and enable easier interpretation of percentage changes in the regression model.

This study involves analyzing data by employing various linear regression techniques with the assistance of Eviews 12 software to investigate how independent variables impact dependent variables. The analysis model is utilized to ascertain the influence of tax revenue and inflation on economic growth. According to Nazeriandy et al. (2021), the multiple linear regression equation used in this research is as follows:

$$LOGY = \beta_0 + \beta_1 LOGX1_{t-1} + \beta_2 X2 + \varepsilon$$

Where:
Y   : Gross Domestic Product (GDP)
$X1_{Lag-1}$: Tax Revenue in Previous Year
X2   : Inflation
β_0 : Constant
β_1, β_2 : Regression coefficients
LOG   : Logarithm
ε : Error

Subsequently, statistical analyses are carried out to assess the impact of independent variables on dependent variables. These analyses encompass both individual tests (t-tests) and combined tests (F-tests). Both tests are conducted to assess whether independent variables, either individually or together, have a significant effect on economic growth in Indonesia during the 1994–2024 period.

4. Results and Discussion

4.1. Research Results

4.1.1. Classical Assumption Tests

Classical assumption tests in multiple linear regression are conducted to ensure that the model used meets statistical requirements so that estimation results are valid and reliable. Classical assumption tests include multicollinearity tests, normality tests, autocorrelation tests, and heteroscedasticity tests.

4.1.2. Multicollinearity Test

The purpose of conducting a multicollinearity test is to identify strong linear connections between different independent variables within a regression model. This examination relies on the measurement of Variance Inflation Factor (VIF) to provide insight into the presence of these relationships.

Table.1 Multicollinearity Test Output

Variance Inflation Factors
Date: 06/02/25   Time: 14:02
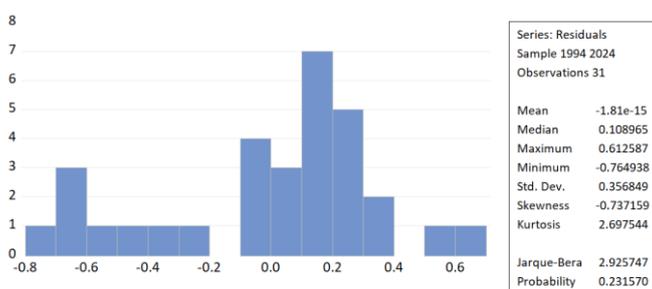Sample: 1994 2024
Included observations: 31

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.573255	130.2496	NA
LOG(LAG1_X1PENE...	0.003231	123.7647	1.178892
X2_INFLASI	0.301756	1.687996	1.178892

Source: Eviews 12 Output

Based on the output results, the centered VIF values for variables X1 and X2 are each 1.178892. VIF values less than the general limit of 10 indicate no multicollinearity symptoms in this regression model. This shows that variables X1 and X2 do not have very strong linear correlations with each other, which could affect the stability and validity of regression coefficient estimation.

4.1.3. Normality Test

The purpose of the normality test is to assess if the remaining data in the regression model follows a normal distribution, which is a key factor in traditional regression analysis.

Series: Residuals	
Sample 1994 2024	
Observations 31	
Mean	-1.81e-15
Median	0.108965
Maximum	0.612587
Minimum	-0.764938
Std. Dev.	0.356849
Skewness	-0.737159
Kurtosis	2.697544
Jarque-Bera	2.925747
Probability	0.231570

Figure 1. Normality Test Output Results
Source: Eviews 12 Output

Analysis of residual histogram and Jarque-Bera test indicates that the Jarque-Bera value is 2.925747 with a probability of 0.231570. As this probability value is higher than the

significance level of 0.05, it can be inferred that the residuals follow a normal distribution. The distribution pattern in the histogram appears to approach a bell shape with residual mean approaching zero and skewness value of -0.737159, indicating slight left skewness but still within acceptable limits. Kurtosis value of 2.925747 also strengthens the indication of normal distribution. The normality assumption in the regression model has been met so the model is suitable for use in estimation and subsequent statistical decision making.

4.1.4. Autocorrelation Test

The autocorrelation test aims to identify relationships between current residuals and residuals in previous periods. This research uses the Breusch-Godfrey Serial Correlation LM Test as the testing method.

Table 2. Autocorrelation Test Output

Breusch-Godfrey Serial Correlation LM Test:
Null hypothesis: No serial correlation at up to 2 lags

F-statistic	3.796843	Prob. F(2,26)	0.0358
Obs*R-squared	7.007396	Prob. Chi-Square(2)	0.0301

Source: Eviews 12 Output

Output results show that the Prob. Chi-Square (2) value is 0.0301 or 3.01 percent. This value is below the 0.05 significance threshold, indicating autocorrelation in the regression model. This condition indicates that the model has not fully met classical assumptions regarding the absence of autocorrelation. The existence of systematic relationships between residuals can affect the accuracy of produced estimates. To address this problem, researchers can evaluate the model by adding appropriate independent variables, applying autoregressive models, or transforming the model structure.

4.1.5. Heteroscedasticity Test

The heteroscedasticity examination is utilized to ascertain if there is uneven variance in the residuals of the regression model, as this can lead to less effective parameter estimation.

Table 3. Heteroscedasticity Test Output

Heteroskedasticity Test: White
Null hypothesis: Homoskedasticity

F-statistic	1.247253	Prob. F(5,25)	0.3173
Obs*R-squared	6.189095	Prob. Chi-Square(5)	0.2883
Scaled explained SS	4.285591	Prob. Chi-Square(5)	0.5091

Source: Eviews 12 Output

Test results show Prob. F (5,25) value of 0.3173, Prob. Chi-Square (2) of 0.2883, and Prob. Chi-Square (2) on Scaled Explained SS of 0.5091. All probability values exceed the 0.05 significance limit, so the model shows no heteroscedasticity symptoms. Residual variance is constant or homoscedastic. This condition indicates that the regression model has met one important assumption in classical regression and estimation results can be used reliably for further analysis purposes.

4.1.6. Multiple Linear Regression Analysis

Multiple linear regression analysis is employed to assess both the collective and individual impact of independent variables on dependent variables. Through this analysis, one

can ascertain the specific influence of each independent variable on changes in the dependent variable. The subsequent section displays the results of the multiple regression output derived from processing research data.

Table 4. Multiple Regression Output

Dependent Variable: LOG(Y_PDB)
Method: Least Squares
Date: 06/02/25   Time: 13:30
Sample: 1994 2024
Included observations: 31

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.408667	0.757136	3.181288	0.0036
LOG(LAG1_X1PENERIMAANPAJAK)	0.960442	0.056839	16.89760	0.0000
X2_INFLASI	-0.305606	0.549324	-0.556331	0.5824

R-squared	0.925055	Mean dependent var		14.79401
Adjusted R-squared	0.919702	S.D. dependent var		1.303506
S.E. of regression	0.369374	Akaike info criterion		0.937752
Sum squared resid	3.820242	Schwarz criterion		1.076525
Log likelihood	-11.53516	Hannan-Quinn criter.		0.982989
F-statistic	172.8032	Durbin-Watson stat		0.987434
Prob(F-statistic)	0.000000			

Source: Eviews 12 Output

4.1.7. F Test (Simultaneous)

Generally, the research model regression equation can be written as follows:

$$Y = 2{,}408667 + 0{,}960442 \ X1 - 0{,}305606 \ X2$$

According to the regression model, the constant value of 2.408667 represents economic growth when tax revenue and inflation equal zero. The tax revenue coefficient of 0.960442 demonstrates a positive and significant relationship with economic growth, meaning each 1 percent rise in tax revenue increases economic growth by 0.960442 percent, with other variables held constant. The inflation coefficient of -0.305606 shows a negative relationship with economic growth but lacks statistical significance, indicating that inflation changes do not meaningfully impact economic growth in this model.

The F test serves to statistically verify whether all regression coefficients collectively explain the dependent variable significantly. When the F-statistic exceeds the critical F value at the 5% significance level ($\alpha = 0.05$), Ho is rejected, indicating that independent variables together significantly influence the dependent variable. When the F-statistic falls below the critical F value, Ho is accepted, showing that independent variables collectively do not significantly impact the dependent variable.

The regression model test yields an F-statistic of 172.8032 with a probability value of 0.0000. Since the F-statistic substantially exceeds the critical F value at $\alpha = 0.05$ and the probability is well below 0.05, Ho is rejected. Therefore, the tax revenue (X1) and inflation (X2) variables jointly exhibit significant effects on economic growth (Y).

4.1.8. T Test (Partial)

This examination aims to uncover the impact of individual variables on the overarching outcome in a limited aspect. The determination of this effect is based on probability significance (p-value) and t-statistic values using $\alpha = 5\%$ (0.05) significance level.

Regression model estimation results show that there are two independent variables, namely tax revenue (X1) and inflation (X2), whose effects on economic growth (Y) are tested. Hypothesis testing is conducted for each independent variable as follows:

Ho: Tax revenue variable does not significantly affect economic growth.

H1: Tax revenue variable significantly affects economic growth.

Based on the regression results, the tax revenue variable has a probability (p-value) of 0.0000, which is less than 0.05. This leads to rejection of the null hypothesis (Ho) and acceptance of the alternative hypothesis (H1), indicating that the tax revenue variable significantly influences economic growth.

Ho: Inflation variable does not significantly affect economic growth.

H1: Inflation variable significantly affects economic growth.

The inflation variable has a probability of 0.5824, which exceeds 0.05, resulting in acceptance of the null hypothesis (Ho) and rejection of the alternative hypothesis (H1). Consequently, the inflation variable does not significantly influence economic growth.

4.1.9. Coefficient of Determination (R^2)

The measurement of R-squared evaluates the effectiveness of the regression model to clarify differences in the dependent variable in this study. If the R-squared value is higher, it suggests that the model is better at explaining the variation in data. From test results, an R-squared value of 0.925055 is obtained, meaning that 92.51% of variations in economic growth can be explained by tax revenue and inflation variables included in the model. The remaining 7.49% is explained by other factors outside this model.

The Adjusted R-squared value of 0.919702 indicates that even after accounting for the number of variables in the model, the independent variables still have a strong ability to elucidate fluctuations in economic growth, standing at 91.97%. This shows that the regression model used has high compatibility with data and can be trusted in explaining relationships between independent and dependent variables.

4.2. Discussion

This research results show that simultaneously, tax revenue and inflation significantly affect Indonesia's economic growth from 1994–2024. However, partially, only tax revenue shows significant effects on economic growth. This finding reflects the important role of tax revenue as one of the main sources of national development financing, in accordance with classical economic theory principles stating that capital accumulation from state revenue can accelerate economic growth through increased productive investment.

This finding aligns with research conducted by Saragih (2018), who found that tax revenue has positive and significant effects on economic growth in Indonesian provinces in 2013–2016. Similarly, Orbaningsih & Sujianto (2022) support the view that taxes have significant roles in driving economic growth, as funds collected from taxes can be allocated for infrastructure development and public services that support national productivity.

However, not all research aligns with these results. Research by Basia & Umabaihi (2024) and Karlina & Lubis (2023) stated that tax revenue does not have significant effects on Indonesia's economic growth. These differences can be caused by differences in time periods and methodological approaches used. This shows that tax effectiveness as a growth instrument is greatly influenced by how revenue is managed and returned to society in the form of productive expenditures.

Classical economic theory, as proposed by Adam Smith, emphasizes the importance of tax roles in providing funds for the state to carry out its important functions, such as maintaining law and order, providing infrastructure, and supporting education. In this

context, tax is not a burden, but rather a productive contribution that if managed efficiently, can strengthen economic growth. Therefore, this research findings support classical views about the importance of fiscal in economic development (Yossinomita et al., 2024).

From the inflation side, this research results show that simultaneously inflation affects economic growth, but does not affect partially. This finding shows that inflation's effect on economic growth is indirect and depends on interaction with other variables, such as tax revenue. This aligns with López-Villavicencio & Mignon (2011) opinion, stating that the relationship between inflation and growth is non-linear, where low inflation can drive growth, but high inflation can hinder it.

Several previous studies provide diverse results regarding inflation's effect on economic growth. Research by Salim et al. (2021) and Dwi & Pasaribu (2023)concluded that inflation has positive and significant effects on economic growth. However, research by Ardiansyah (2017), found that inflation actually negatively impacts growth. This strengthens the view that inflation can be "good" or "bad" depending on its level and stability.

From classical economic theory perspective, moderate inflation can drive economic activity by increasing consumption and investment in the short term. However, when inflation exceeds reasonable levels, economic uncertainty increases, reduces real income value, and can decrease productive investment. Therefore, the finding that inflation does not significantly affect partially shows that inflation's role in economic growth is indirect, and depends on overall monetary and fiscal policy management (Yossinomita et al., 2024).

In Indonesia's context from 1994–2024, inflation's role in affecting economic growth was likely dampened by relatively maintained macroeconomic stability, especially since monetary and fiscal policy reforms post-1998 crisis. Interest rate policies, food price control, and energy subsidies also played roles in keeping inflation within acceptable limits, so its impact on growth was not too dominant compared to other variables such as tax revenue.

The finding that simultaneously inflation and taxes affect growth shows synergy between fiscal and monetary policies in determining economic direction. This aligns with classical economic thinking that suggests integration between policy instruments to achieve sustainable growth. Thus, efficient tax management and price stability become important keys in maintaining Indonesia's economic growth pace in the long term.

Overall, this research results enrich scientific discourse regarding relationships between tax revenue, inflation, and economic growth. Referring to previous research results and classical economic theory, it is concluded that taxes play more dominant roles compared to inflation in driving Indonesia's economic growth. However, price stability is still needed so that positive effects of tax revenue can be optimally felt. Therefore, the government needs to continue integrating fiscal and monetary policies synergistically to create economic conditions conducive to national development.

5. Conclusion

The multiple linear regression analysis results, including partial significance tests (t-test), simultaneous significance tests (F-test), and coefficient of determination values, yield several conclusions. When examined individually, the tax revenue variable demonstrates positive and significant impacts on economic growth, whereas the inflation variable shows negative but insignificant effects on Indonesia's economic growth during 1994-2024. When analyzed together, tax revenue and inflation variables collectively exhibit positive and significant influences on Indonesia's economic growth for the 1994-2024 timeframe.

Given these findings, the government should maintain efforts to boost tax revenue by optimizing fair and efficient tax systems, given tax revenue's positive and significant contribution to economic growth. Furthermore, despite inflation's lack of significant individual effects, consistent inflation management remains necessary since inflation, combined with tax revenue, contributes to Indonesia's economic growth dynamics.

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