JOURNAL OF MANAGEMENT, ACCOUNTING, GENERAL FINANCE AND INTERNATIONAL ECONOMIC ISSUES
(MARGINAL)

THE LONG-TERM EFFECT OF FOREIGN DEBT AND FOREIGN DIRECT INVESTMENT (FDI) ON ECONOMIC GROWTH IN INDONESIA

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Abstract
In light of Indonesia's status as a developing nation with constrained financial resources, the imperative for strategic decision-making by the government to foster sustained economic growth becomes evident. This research delves into an analysis of the enduring repercussions of foreign debt and foreign direct investment (FDI) on Indonesia's economic landscape. The study employs a comprehensive examination of time series data spanning from 1990 to 2022, employing both the Bounds test cointegration approach and the ARDL model to scrutinize the dynamics at play. The empirical findings underscore the multifaceted influence of foreign debt and FDI on Indonesia's economic growth, illustrating that these factors exert both short- and long-term impacts. Moreover, the research identifies the export control variable as a pivotal factor, indicating an immediate effect on Indonesia's economic development albeit without a lasting impact. Consequently, this unveils a nuanced interplay of variables that contribute to the nation's economic trajectory. In light of these insights, the study posits that the Indonesian government must adopt a judicious and discerning approach in formulating and executing policies related to exports, foreign debt, and FDI. Recognizing the dual temporal impact of foreign debt and FDI, policymakers are urged to balance short-term economic imperatives with a commitment to long-term sustainable growth. The immediate influence of the export control variable further underscores the need for agile and adaptive policy management to navigate the intricacies of Indonesia's economic landscape.

Keywords: *ARDL Model, Economic Growth, Export, Foreign Debt, Foreign Direct Investment*

1. INTRODUCTION

Domestic savings rates are a major factor in global economic development and sustainability because they stimulate robust domestic investment. The primary reason of the sustainable economic growth issue that leads to a deficit is the inefficient domestic savings gap, or the discrepancy between government revenue and expenditure (Agyeman et al., 2022). Foreign loans, foreign direct investment, and official development assistance from rich nations can all be used by a nation to finance its budget deficit (Jilenga et al., 2016a).

Compared to other forms of funding, deficits financed by borrowing debt from outside can be obtained instantly, especially by developing countries. It is practical, and makes it easier for the government to use its funds directly to realize development when the country experiences a deficit. As a simple illustration, Indonesia's APBN in 12 years, according to the Central Statistics Agency (BPS), realized state income in 2010 was 99,2249.00 (billion) and in 2022 it was 2,436,877.80 (billion) while the realization of

state expenditure in 2010 was 1,042,117.20 (billion) and in 2022 it was 2,714,155.72 (billion). This is directly correlated with the government's fluctuating and increasing foreign debt situation, according to Bank Indonesia (BI) data for the 2010–2022 period. In 2010, the government had foreign debt of 2,02,413 billion US dollars, and in 2022, this amount increased to $40,2732.2 billion US dollars. Its growth contracted 0.9% (yoy) and was worth 396.4 billion US dollars in July 2023. In order to support and maintain Indonesia's economic growth in the face of global economic uncertainty, the government needs foreign debt to finance priority spending and productive industries.

The Constitution number 17 of 2003 regulates that the amount of debt, both central and regional, must not exceed 60% of GDP. One way to assess a country's financial health is to look at the debt to GDP ratio. Based on the Constitution of the Republic of Indonesia and its foreign debt indicators, Thus, it can be said that debt does not have a negative impact on national income because in 2023, the debt to GDP ratio will be at 39.17% and the maximum budget deficit (APBN and APBD) will be 39.17 %. can be funded by debt is 3% of GDP.

The topic of whether foreign debt contributes to or hinders economic growth remains unanswered. In the first place, foreign debt can ease liquidity problems and offer more sources of capital to support economic expansion and infrastructure demands (Makun, 2021) . Conversely, an excessive amount of foreign debt can hinder economic growth by discouraging private investment because of the perception that taxes will rise Later on to cover the debt (Mohd Daud et al., 2013). Because of this, prospective investors (both domestic and foreign) are reluctant to make investments in debtor nations, which naturally results in a slowdown in economic growth.

Regarding foreign debt as a solution to cover the deficit, increasing exports and FDI are also alternatives to cover the deficit (World Bank, 2018). Global capital movements are rising as a result of growing national integration and the expansion of the world economy, which is becoming more open as a result of the elimination of trade restrictions (Jilenga et al., 2016a). According to Musgrave's theory, (1989) in addition to promoting increased foreign investment, particularly foreign direct investment (FDI), the government must produce a net export surplus. The management of foreign debt through foreign direct investment (FDI) is a means of attaining sustainable economic growth in the face of deficit. FDI can help recipient countries to close investment gaps, particularly developing countries which often struggle to achieve investment goals because they lack the domestic savings necessary to make the types of investments required. FDI can also close the foreign exchange gap because if permitted in the target country, it can attract foreign capital owners or business entities that can generate foreign exchange through exports. In addition, foreign investment often increases the productivity and ability of the recipient country's businesses to compete in markets globally, leading to increased exports and tax revenues (Ghazi, 2021).

In 2011, 2012, 2013 and 2016, there was a simultaneous increase in the ratio of FDI and Indonesia's foreign debt to GDP. Then in 2014, 2015 and 2016, Indonesia experienced a surplus and foreign debt also increased. This research highlights an interesting phenomenon in the development of FDI in Indonesia. The FDI to GDP ratio is susceptible to annual fluctuations, but the value of Indonesia's foreign debt financing follows a more stable trend, especially decreasing from 1998 to 2011 and increasing from

2011 to 2020. According to Yumanda & Juliannisa, (2023) this shows that FDI fluctuates at a relatively higher level compared to the level of external debt.

While foreign direct investment (FDI) has increased in Indonesia, there is still uncertainty as to whether this has had a significant effect on economic growth. This is because FDI has drawbacks, such as an outflow of profits, which is the term for profits that an entity or company receives and transfers abroad. This occurs when some or all of the profits generated by a company are brought to the investing country. For this reason, research on how FDI affects Indonesia's economic growth is necessary. Even though numerous empirical research attest to the beneficial effects of FDI on economic growth (Edo et al., 2020) , Depending on the precise laws that allow host countries to gain and the degree of institutional framework needed to stimulate investment, the impact might vary significantly between countries from FDI. Our comprehension of the necessity of fostering economic growth and establishing explicit investment plans is hampered by this lack of clarity, particularly with regard to Indonesia. Aside from that, the topic of whether foreign debt affects Indonesia's economic growth emerges.

The purpose of the study is to determine how foreign debt and FDI affect Indonesia's economic expansion. It is envisaged that the study would add to the body of knowledge already available on the effects of FDI and foreign debt on economic growth. In addition, this research helps investors and decision-makers understand the issues with foreign debt and FDI policies. There are five sections in this study the methodology and model specifications are discussed in section three, the empirical Findings and evaluations are shown in section four, the lessons learned are summarized and conclusions are drawn in section five, and the second section, which follows, offers a brief summary of the empirical literature.

2. LITERATURE REVIEW

2.1. Theoretical Review

Concerning how debt and economic growth are related, there are various points of view, including the classical/neoclassical, Keynesian, and Ricardian perspectives. According to Barsky et al., (1984) , According to the classical/neo-classical perspective, taking on more debt to pay for government spending will only have a temporary impact on economic growth. Over time, Nevertheless, the crowding-out effect—which is the result of an overheated economy leading to a drop in private investment—will prevent this debt from having a major impact. A government budget deficit fueled by debt will raise personal consumption, and over time, the debt load will result in higher taxation for future generations. A decline in the savings rate brought on by increased individual consumption will raise interest rates. Reduced private investment will be a result of rising interest rates. Neo-classical economists so claimed that using foreign debt to cover government deficits would drive away private investment.

A state budget financed by foreign debt, according to Keynesians, will significantly affect economic growth since it will increase welfare and income, which will increase consumption (Eisner, 1989). National income will rise as a result of increased consumption. But according to the Ricardian equivalency theory, governments cannot increase economic growth by financing expenditure with debt because doing so will not

alter demand (Mankiw et al., 1992). This is due to the fact that wise individuals will understand that future taxation will increase due to the government's increased debt. Thus, instead of consuming with their extra money, people would rather save it.

The Harrod-Domar growth theory, which looked at the connection between investment, employment, and economic growth, was created by Sir Roy Harrod and Evsey Domar in the 1930s and 1940s. The function of investment as an engine of economic growth is the primary topic of discussion. According to this hypothesis, economic growth is directly impacted by the amount of investment. Increased demand for products and services as a result of investment propels economic expansion (Sato, 2015).

2.2. Empirical Review

2.2.1. Empirical Review of Foreign Debt on Economic Growth

Wamboye, (2019) uses imbalanced panel data from 1975 to 2015 to assess the effect of public foreign debt on long-term economic growth in forty least developed countries (LDCs). The study's conclusions indicate that, regardless of the type of debt, hefty debt incurred abroad impede economic growth. The fact that the HIPC sub-sample has less negative debt on growth than the non-HIPC sub-sample suggests the importance of debt relief programs. Ojo Oke & La, (2012) examined the effects of Nigeria's external debt on investment volume and economic development between 1980 and 2008. The results of the investigation demonstrated a strong relationship between investment, economic growth, and external debt. Studies show that the GDP to external debt ratio is a good measure of real progress since it spurs growth in the near run by reducing private investment. Mohd Daud et al., (2013) and Jilenga et al., (2016b) said that the economy gets better as foreign debt accumulates. According to research by Ningrum (2018), foreign debt helps pay for national economic development in the near run.

Research conducted by Qureshi & Liaqat, (2020) stated that increasing foreign debt in many countries has strengthened the debate regarding the impact of increasing debt. Developing nations that have high and unmanageable debt levels are especially susceptible to exchange rate changes, abrupt stops to capital flows, and abrupt outflows of capital, all of which can lead to banking crises or collapses (Hemming et al., 2003). Likewise research by (Pattillo et al., 2002) ; (Panizza & Presbitero, 2014) ; (Olayide & Olaoye, 2019) ; (Nguyen et al., 2003) ; (Nguyen et al., 2003) ; (Frimpong & Oteng-Abayie, 2007) ; (Olayide & Olaoye, 2019) ; (Panizza & Presbitero, 2014) ; (Cecchetti et al., 2011) ; (Casares, 2015) asserts that debt has a detrimental effect on economic expansion.

Excessive levels of foreign debt may potentially hinder growth by altering the mix of private investments or by crowding out effects (Nguyen et al., 2003). Debt repayment ahead of schedule may result in increased government interest expenses and budget deficits, which may raise long-term interest rates or limit the amount of credit available for private financing (Gale & Orszag, 2018) ; (Kumar & Baldacci, 2019) . Similarly, a high debt load will discourage investment due to the consequences of crowding out and debt overhang. (Milton, 2001). Depetris Chauvin & Kraay, (2018) demonstrate that between 1989 and 2017, debt reduction in 62 developing nations has no positive effect on institutional quality, FDI, or economic growth. And research conducted by Handra &

Kurniawan, (2020) claimed that the ratio of government debt to GDP and economic growth in Indonesia had a long-term negative relationship, suggesting that a rise in the debt ratio eventually slows down growth.

2.2.1. Empirical Review of *Foreign Direct Investment* (FDI) on economic growth

Several studies have looked at the connection between foreign direct investment (FDI) and economic growth in industrialized and developing countries. The majority of research indicates that FDI boosts economic growth. FDI has an adverse effect on economic growth, according to a number of studies. Furthermore, there is disagreement in the findings of several empirical studies on the connection between FDI and economic growth. The primary cause of these discrepancies in results could be attributed to variations in the methodologies employed and the particular macroeconomic factors taken into account for each nation. To explain the understanding of this, the following is previous research in various countries.

Research conducted by Islam, (2018) used secondary data to study the effects of FDI on the economy of Bangladesh from 1996 to 2016. The study's conclusions show that foreign investment is crucial to Bangladesh's capacity to experience the anticipated degree of economic growth. These results imply that FDI and GDP, exports, and private investment are positively correlated. Likewise, Yousaf et al., (2019) examined the effect of foreign direct investment on Pakistan's economic expansion. The results indicate a favorable relationship between GDP and FDI. In order to encourage economic growth, Pakistan should embrace FDI ventures, according to the findings. and also, Ayanwale, (2017) investigated Nigeria's FDI and economic expansion, The study's conclusions demonstrate that foreign direct investment (FDI) propels a nation's economy.

Additionally, Melnyk et al., (2014) examined the relationship between foreign direct investment (FDI) as well as expansion in 26 post-communist transition countries between 1998 and 2010, concluding that FDI had an impact on these countries' growth. Khathlan, (2017) examined the long-term link between FDI inflows and economic growth in Saudi Arabia from 1980 to 2015 using cointegration techniques. He discovered a strong and favorable correlation with economic expansion.

On the other hand, research on how foreign direct investment affects Pakistan's economic expansion by Yousaf et al., (2017) showed that while local investment boosted Pakistan's economy, foreign investment had a negative impact on the country's economic performance. This implies that the country's economy will gain from home investment, and there should be as little dependence as possible on foreign investment. In this instance, it seems that the repatriation of profits back to the investing country dilutes the majority of the advantages of foreign investment. This can also be explained by the host nation's restricted ability to transfer technology and disseminate information in order to advance growth. In a different perspective, Alfaro et al., (2004) employing cross-national data demonstrates that the overall effect of FDI on growth is unclear. He went on to say that while foreign direct investment tends to have a beneficial impact on growth, it typically has a negative effect on the primary sector.

In conclusion, research from the past reveals conflicting findings about how foreign direct investment affects economic growth. While some research indicates a beneficial correlation, other studies indicate a detrimental impact on economic growth. More

research is essential to clarify this uncertainty, particularly in Indonesia where FDI flows are on the rise. However, because of the budget deficit, foreign debt—an additional source of funding—is growing annually, particularly for development projects. Due to the fact that foreign debt typically accrues interest, the state is heavily burdened. Thus, our study looks into how foreign debt and FDI affect economic growth.

3. METHOD

3.1. Basic Research Framework

According to the developed hypothesis, foreign debt and foreign direct investment (FDI) have an impact on economic growth. This study also included additional control factors. The relationship between external debt and foreign direct investment (FDI) on Indonesia's economic growth is the main topic of this study. with the Export t activity control variable making reference to earlier studies carried out by (Jilenga et al., 2016b) ; (Edo et al., 2020) . Secondary data for Indonesia from 1990 to 2022 is used in the study. The World Bank is the source of research data, which is collected in current US dollars. To ascertain the short- and long-term associations between independent and dependent variables, data processing is done, with following equation.

$$PDB = \alpha_0 + \alpha_1 ULN + \alpha_2 FDI + \alpha_3 EXP + \varepsilon_t$$

GDP represents economic growth, ULN represents foreign debt, FDI represents foreign direct investment, and EXP represents exports. An empirical study that tests the short- and long-term balance relationship utilizing cointegration and the Bounds test approach and the ARDL model, with the level of exports serving as the control variable. The sources and definitions of the variables under analysis are listed in Table 1.

Table 1. Definition and sources of variables

Variable	Notation	Size	Data source
Economic growth	GDP	GDP	Worldbank
Foreign debt	external debt	foreign debt	Worldbank
Foreign Direct Investment (FDI)	FDI	*FDI*	Worldbank
export	EXP	Export	Worldbank

Source: data processed by myself.

3.2. Data analysis

Using the Autoregressive Distributed Lag (ARDL) dynamic econometric model, because it can explain how the dependent variable changes over time in proportion to its value in the previous period, this model is known as a dynamic model. Autoregressive (AR) and Distributed Lag (DL) techniques are combined in the ARDL method. The length of time that will be used in the model to forecast future values is indicated by the lag. If the AR method uses one or more previous period data from independent variables, then the DL method is a regression methodology that uses current data and historical data from independent variables. The differences in short-term and long-term effects of the variables studied can be explained using the ARDL model.

1) Auto-regressive Distributed Lag (ARDL) Model Estimation

With ARDL, short-term and long-term forecasts can be obtained simultaneously. The ARDL model as a whole is expressed by the following equation:

$$\Delta Y_t = \beta_0 + \sum_{i=1}^{n} \beta_1 \Delta Y_{t-1} + \sum_{i=1}^{n} \beta_2 \Delta X_{t-1} + \varphi_1 y_{t-1} + \varphi_2 x_{t-1} + \mu_t$$

Where

β_1, β_2 = Short term coefficient

φ_1, φ_2 = Long-term ARDL coefficient

The advantage of the ARDL analysis model is its ability to identify the dynamics of the short-term and long-term influence of the variables studied. The following is a short-term relationship equation formulation based on the broader ARDL model mentioned above:

$$\sum_{i=1}^{n} \beta_1 \Delta Y_{t-1} + \sum_{i=1}^{n} \beta_2 \Delta X_{t-1}$$

With long-term relationship equations:

$$\varphi_1 y_{t-1} + \varphi_2 x_{t-1}$$

so, the ARDL equation is:

$$\Delta \mathrm{PDB}_t = \beta_0 + \beta_1 \sum_{i=1}^{n} \Delta PDB_{t-1} + \beta_2 \sum_{i=1}^{n} \Delta ULN_{t-1} + \beta_3 \sum_{i=1}^{n} \Delta FDI_{t-1} + \beta_4 \sum_{i=1}^{n} \Delta EXP_{t-1} + \beta_5 \sum_{i=1}^{n} \Delta ULN_t + \beta_6 \sum_{i=1}^{n} \Delta FDI_t + \beta_7 \sum_{i=1}^{n} \Delta EXP_t + \varepsilon_t$$

Where

β_0 = constant

$\beta_1, \beta_2, \beta_3, \beta_4$ = regression coefficient for the variables in the researcher's short-term model

$\beta_5, \beta_6, \beta_7$ = regression coefficient for the long-term variable in the researcher's model

Δ = the difference between the values of two variables over consecutive time intervals

ε_t = value error

3.3. Classic assumption test

Testing the classical assumptions is required to make sure that the estimated parameters and regression coefficients are not skewed. includes tests for autocorrelation, multicollinearity, heteroscedasticity, and normality.

4. RESULTS AND DISCUSSION

4.1. Results

The stationary test was carried out to fulfill one of the ARDL modeling requirements. This research carried out the Augmented Dickey Fuller Test (ADF) unit root test. False regression will result from non-stationary data. The following are the results of the data stationarity test for each variable.

Table 2. Stationarity Test

Variable	P-Value
GDP	0.0001
external debt	0.0002
FDI	0.0000
EXP	0.0000

Source: processed data (2023)

Table 2 presents the variables exports, foreign debt, FDI, and GDP growth are all stationary at the first degree of difference. so that additional testing can be performed.

Table 3. Residual Stationarity Test

```
. dfuller ect

Dickey-Fuller test for unit root                   Number of obs   =        32

                                 ---------- Interpolated Dickey-Fuller ---------
                 Test         1% Critical       5% Critical      10% Critical
               Statistic         Value             Value            Value
------------------------------------------------------------------------------
 Z(t)            -4.969           -3.702            -2.980           -2.622
------------------------------------------------------------------------------
MacKinnon approximate p-value for Z(t) = 0.0000
```

Source: processed data (2023)

In table 3. Above the stationarity test of stationary residuals at level levels. So that further testing can be carried out.

Table 4. ECM Test

```
. regress D.y D.x1 D.x2 D.x3 L1.ect

      Source |       SS           df       MS      Number of obs   =        32
-------------+----------------------------------   F(4, 27)        =      5.08
       Model |  .813827793         4  .203456948   Prob > F        =    0.0035
    Residual |  1.08118084        27  .040043735   R-squared       =    0.4295
-------------+----------------------------------   Adj R-squared   =    0.3449
       Total |  1.89500863        31  .061129311   Root MSE        =    .20011

------------------------------------------------------------------------------
         D.y |      Coef.   Std. Err.      t    P>|t|     [95% Conf. Interval]
-------------+----------------------------------------------------------------
          x1 |
         D1. |   .8267381   .1896895     4.36   0.000     .4375275    1.215949
             |
          x2 |
         D1. |   .0173141    .006308     2.74   0.011     .0043712     .030257
             |
          x3 |
         D1. |  -.0114031   .0065108    -1.75   0.091    -.0247621    .0019558
             |
         ect |
         L1. |  -.477319    .2232587    -2.14   0.042    -.935408    -.0192301
             |
       _cons |   .0267644   .0444565     0.60   0.552    -.0644527    .1179815
------------------------------------------------------------------------------
```

Source: processed data (2023)

This is the ECM equation in table 4. Since the value of ect L1 is -0.477319, which falls between 0 and -1, it satisfies the requirements for the ECT variable's value and indicates that the variable is stationary. Given that the dependent and independent variables have cointegration, the short- and long-term adjustment variables are significant when the value of p>|t| 0.042 < 0.05.

Table 5. ARDL test

```
. ardl y x1 x2 x3, lags(1 1 1 1) ec1

ARDL(1,1,1,1) regression

Sample:     1991 -     2022                 Number of obs     =         32
                                            R-squared         =     0.4330
                                            Adj R-squared     =     0.2676
Log likelihood =  8.8962915                 Root MSE          =     0.2116
```

D.y	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
ADJ						
y L1.	-.4809905	.2508834	-1.92	0.067	-.9987884	.0368074
LR						
x1 L1.	1.014662	.0745885	13.60	0.000	.8607183	1.168605
x2 L1.	.0284296	.0135823	2.09	0.047	.0003971	.0564621
x3 L1.	-.0332734	.01454	-2.29	0.031	-.0632824	-.0032644
SR						
x1 D1.	.8272642	.2403105	3.44	0.002	.3312878	1.323241
x2 D1.	.0162149	.0078356	2.07	0.049	.0000429	.0323868
x3 D1.	-.0125655	.0079867	-1.57	0.129	-.0290492	.0039181
_cons	.4170235	.9380521	0.44	0.661	-1.519021	2.353068

Source: processed data (2023)

Table 5 demonstrates the favorable link between the foreign debt variable and economic growth over the long run, both at a probability level of 1%. At a probability level of five percent, the foreign direct investment (FDI) variable has a positive relationship with economic growth throughout the long and short terms. At a probability level of 5%, there is a negative short-term link between the export variable and economic growth, but no long-term relationship.

Table 6. Heteroscedasticity and Autocorrelation *Test*

```
. estat bgodfrey

Breusch-Godfrey LM test for autocorrelation
```

lags(p)	chi2	df	Prob > chi2
1	0.914	1	0.3389

H0: no serial correlation

Source: processed data (2023)

Table 6 states that H0: constant variance and no serial correlation. This means that homoscedasticity and autocorrelation do not occur.

4.2. Discussion

Using econometric analysis, it was discovered that a strong, favorable correlation existed between Indonesia's foreign debt and GDP over the long and short terms (sig <

0.05). This suggests that rising foreign debt levels may have an impact on the country's economic growth.

Research by Mohd Daud et al., (2013), Ningrum, (2018) and Jilenga et al., (2016b) state the same thing that the accumulation of foreign debt improves the economy. And in contrast to research conducted by Checherita-Westphal & Rother, (2012) looked into how much government debt affected GDP per capita on average across twelve European nations. According to his findings, the impact of debt on growth is non-linear. Growth over the long run is negatively impacted by the government debt to GDP ratio. Likewise with research conducted by Kengdo, (2023) assert that both the short- and long-term effects of public debt on economic growth are negative. These results also show that there is a sustainability threshold for external debt (56.42% of GDP), and that the interplay between external debt and growth attempts diminishes growth efforts.

According to Bank Indonesia, based on SULNI statistical data (Indonesia, 2022) Indonesia's debt to GDP ratio (as of 2022) remains maintained, both the government and Bank Indonesia continue to improve coordination in order to monitor the development of foreign debt and optimize it, by reducing risks that could endanger economic stability, in encouraging national economic recovery and supporting development financing.

Based on econometric analysis, it is discovered that FDI has a short- and long-term impact on Indonesia's GDP (sig < 0.05). This suggests that FDI growth may be influenced by other factors as well. Research conducted by (Agyeman et al., 2022) shows the same results that FDI has a positive effect on economic growth and the results of research conducted by (Jilenga et al., 2016b) provide several findings that FDI has a negative effect on economic growth, i.e., that growth will decline as FDI increases. By using econometric analysis, it is discovered that the export variable has a short-term negative impact on GDP but no long-term effect (sig < 0.05).

5. CONCLUSION

The study's goal is to examine the long- and short-term links between foreign debt and foreign direct investment (FDI) and economic growth in Indonesia, controlling for export level. Using co-integration test bounds from ECM and ARDL for the years 1990–2022. The results of the investigation show that foreign debt and foreign direct investment (FDI) have a positive long- and short-term relationship with Indonesia's economic growth, while export levels have a negative short-term relationship but no long-term relationship with the country's economic growth. As a result, Indonesia needs its foreign debt to boost economic expansion. In order to do this, international debt management is required because repaying debt poses a significant barrier to economic expansion. It is necessary to examine the ways in which foreign direct investment (FDI) might enhance Indonesia's economic growth, nevertheless. For Indonesia to achieve the benefits of foreign direct investment (FDI), such as the spread of cutting-edge technology, more jobs, tax revenues, and economic stimulus effects, absorption capacity and suitable policies are required. In contract signing, policymakers should place a strong emphasis on win-win scenarios. To enable technological transfer, foreign and local investors must collaborate. Nonetheless, the focus will remain on domestic investment to support Indonesia's economic expansion. This study only considers the effects of exports, FDI, and foreign

debt on economic growth. Additional investigation can examine additional control variables that may impact economic growth.

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