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The Impact of Consumer Price Index, Foreign Direct Investment, Bank Credit and Labour Force on Economic Growth in Indonesia

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Abstract

This study aims to analyse the impact of consumer price index on GDP, to analyse the im-pact of Foreign Direct Investment (FDI) on GDP, to analyse the impact of bank credit on GDP, to analyse the impact of Labour Force on GDP. The sample in this study are the data for GDP, direct investment (FDI), bank credit, Consumer Price Index, and the labour force with annual data for fourteen consecutive years that are from period 2005-2019 years. ECM with e-views programs used to analyse the data. Based on the results of data analysis and discussion that has been presented, the following conclusions can be drawn that Con-sumer Price Index (CPI) has no impact on GDP in short term and long term, Foreign Direct Investment (FDI) has an impact on GDP in short term and long term, Bank Credit (BC) has no impact on GDP in short term and long term, Labour Force (LB) has no impact on GDP in short term and long term.

Keywords : Kompetitif, CPI; FDI; Credit, Economic growth

INTRODUCTION

As we know, the economic growth is one measure that is very significant in a country's study of the economic progress. Economic growth demonstrates the degree to which economic development in each timeframe can produce additional revenues for the communities. This is because economic activity is simply a mechanism for generating production, calculated by indicator GDP. As a developing country Indonesia is trying to create the nation without seeking support from other countries. But living in the midst of the rapid currents of globalisation, which continue to develop rapidly, is hard. In these circumstances Indonesia will eventually Follow the flow through cooperation with other countries in implementing national growth, in particular the Joint National Economy. Nonetheless, in the early 1980s to the mid-1990s, Indonesia had never had a prosperous economy (MeylianaD, 2017) (. Early signs of economic recovery have begun It appears that monetary stability has been under track, expressed in low inflation levels and stronger exchange rates, and more favourable political and social circumstances. The role of foreign aid and foreign capital in developing countries' advancement, growth and economic development has long been a heated debate among world economic groups. As an alternative to international debt, Foreign Direct Investment (FDI) will help get the funds from abroad. In Indonesia, FDI is governed by the Foreign Investment Act (UUPMA), which is a legal basis for FDI coming to Indonesia The Indonesian government sought to promote the business environment in order to attract the interest of private sector companies, especially for foreigners, according to the Forei Act No. 1/1967 on Foreign Direct Investment (FDI) was issued (Hymer, 1976).

The growth of foreign investment in Indonesia from 1967 to 2001 can be seen in Figure 1. The figure shows an upward trend in investment flows foreign approved.

Statistics show that the presence of foreign direct investment increased sharply in the 1990s. However, the economic crisis in 1997 caused a decline in investment. This condition began to improve since 2000, especially after fiscal decentralization was implemented in Indonesia in 1999. Based on the data that the level of GDP from 2005, 2010 and 2015 each year has increased.

According to the 2002 World Investment Report, in general FDI can increase exports by: (1) increasing domestic capital for exports; (2) transferring new technology and products for export; (3) providing access to new markets or foreign markets; (4) provide training to domestic workers who can improve technical skills and management skills.

Imported exports will increase the consumption capacity of a country to increase world output, as well as provide access to scarce resources and potential international markets for various export products without these products, poor countries will not be able to develop the activities and life of the national economy. Bank credit should be noted again until covers all the lines, so it can create a balanced distribution of capital between large and small. So, inequality of economic growth can be avoided. It is necessary to increase the labour productivity through increased budgetary allocation to education in order to enhance the quality of the workforce, provide skills training for workers and expanding employment opportunities so that output increases may ultimately spur economic growth in Indonesia (Caves, 1984).

This study have some research scope, that is only examines the variables of consumer price index, Foreign Direct Investment (FDI), bank credit, and Labour Force on GDP.

LITERATURE REVIEW

According to Adam Smith, the economy will grow and develop if there is an in-crease in population that expands markets and encourages specialization. In contrast to Adam Smith, David Ricardo argues that greater population growth will produce a lot of labour, so that wages decrease, and the economy becomes stagnant.

According to Harrod-Domar, there is a need for capital formation or investment to achieve steady growth. The more capital, the more goods and services will be pro-duced. So according to this theory, there are conditions so that the country's econo-my can develop in the long run (steady growth).

According to Schumpeter, economic growth is largely determined by entrepre-neurial ability (entrepreneurship).

International Capital Movement Theory from Dominic Salvatore that defines it international capital into two, namely portfolio investments and direct investments.

Gross Domestic Product or GDP is economic statistics are the most concerned because they are considered as a measure single best regarding people's welfare. The underlying thing is because GDP measures two things at the same time: the total income of all insiders' economy and total state spending to buy goods and services of the economy, (Todaro M. P., 2010).

Domestic Products Gross (GDP) is the total national income and total expenditure on output goods and services within a certain period. This GDP can reflect performance economy, so the higher the GDP of a country can be said the more also good economic performance in the country. Because the role is so important GDP in an economy, it is necessary to analyse what factors can affect the Gross Domestic Product. (Pambudi, 2013).

Economy is influenced by several factors, namely:

1. Population and Workforce Growth

   Population growth is closely related to the number of the workforce work and is one of the factors that will affect growth the economy. This population growth capability influenced how much the economy can absorb a productive workforce.
2. Capital Accumulation

   Capital accumulation is a combination of new investments in it Includes land, fiscal equipment and human resources combined with current income used to increase output at the future.
3. Technology advances

   Technological progress according to economists is the most important factor in the occurrence of economic growth. This is due to progress technology has a big impact because it can provide new ways and refinement of the old way of doing a job.

The consumer price index is an index num-ber that measures the price of goods and services that are always used by consumers or households. Usually used to measure the rate of inflation.

The consumer price index is the result of a combination of theoretical and statis-tical results exhausting for decades. The consumer price index measures the cost of a batch or a marketed of consumer goods and services.

Many factors encourage economic growth, one of them is a foreign direct investment (FDI), especially in develop-ing countries. Indonesia starts opening opportunities for FDI in 1958. Then, the FDI had proliferated until the 1998 global economic crisis. The investors began pulled capital out of Indonesia, conse-quently

the deterioration of Indonesia's economy. According to (Krugman, 2002).

Credit comes from Italian, credere which means trust that is the creditor's be-lief that the debtor will repay the loan to-gether the flowers are in accordance with the agreement of both parties Firm credi-tors believe that the credit will not be jammed. A loan is a loan made to buy something and the borrower makes a pay-ment with the instalment system accord-ingly provisions that apply.

Credit is a loan and loan agreement made between a bank and another party, namely the borrowing customer.

Credit is a loan agreement and loan made between banks and other parties, namely borrowing customers. The money lending and borrowing agreement is made on the basis of the belief that the borrower is within a predetermined grace period. The data of bank credit obtained from BI (Bank Indonesia). (Naja, 2005).

The workforce is residents aged 10 years and above who can be involved in the production process. Those who are classified as working are those who are already active in the activity of producing goods or services or those who for a week before the counting do work or work with the intention of earning income for at least 1 hour in the past week and cannot be in-terrupted. While job seekers are part of the workforce who are currently unemployed and are actively looking for work (Subri, 2003).

The workforce is the part of the work-force that is involved or trying to get in-volved or trying to be involved in activities production of goods and services, then what is the workforce is residents whose main activity is working during the past week (K) and residents who are looking for work (MP). (Mankiw, 2009).

Manpower is the number of people of working age aged 15 to 64 who already have jobs in person units. The data of Labor Force are based on data obtained from BPS publications.

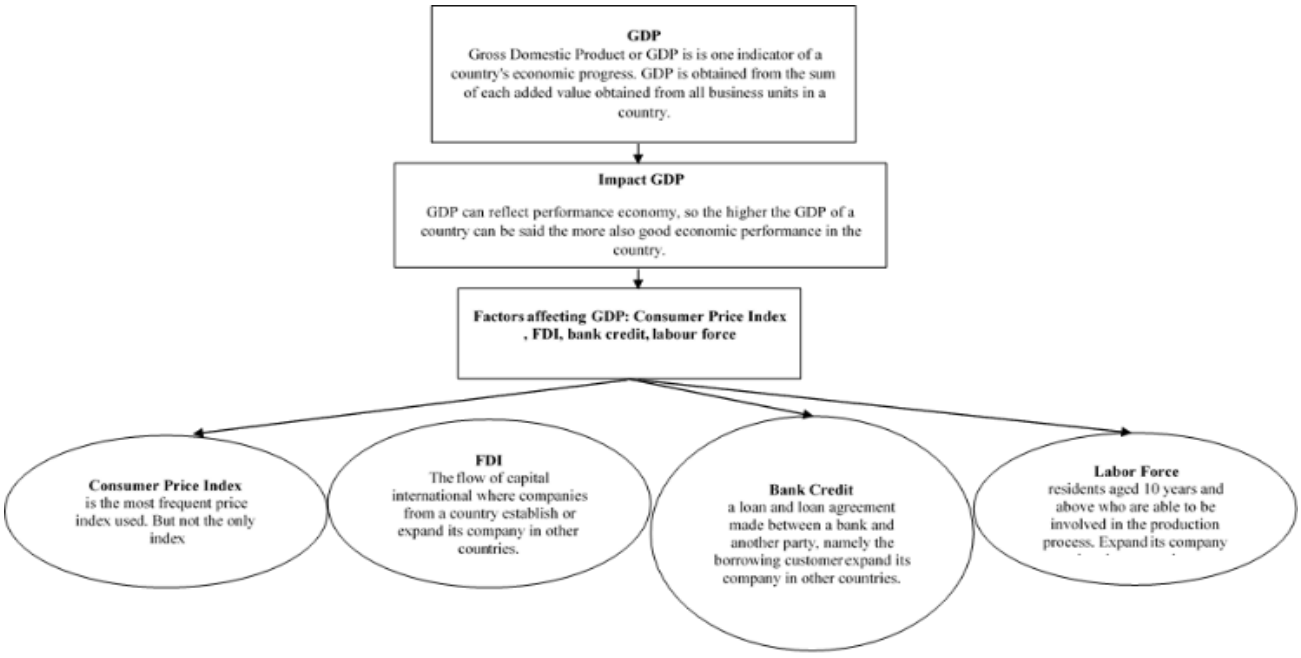

Figure 1. Theoritical Framework

In figure 2. Is a picture research framework that explain the relationship between consumer price index, fdi, bank credit, and labour force with gdp and the research framework can be described as follows:

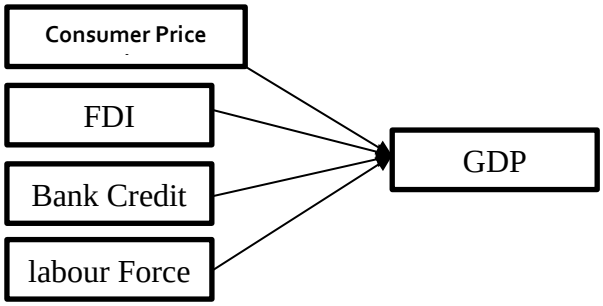

Figure 2. Research Framework

Normally, every consumer price in-dex is used by Indonesia for development expenditure. He hopes to finance various development projects and create economic growth that is indicated by rising GDP values and creating jobs, which in turn can contribute to reducing poverty. Some debts are even used to cover principal and interest debt (Halim, 2016) , instalments. The condition is certainly not favourable.

According to Halim (2016), the budgeting process is inseparable from fi-nancial management. Therefore, in discuss-ing the development of the budget system in government will always be associated with changes in the laws governing finan-cial management.

Research conducted by (Junaedi, 2020) shows that the results show that consumer price index has a correlation with the conditions of the national economy, especially the value of Gross Domestic Product (GDP). Based on the above dis-play can be taken the following hypothesis:

H1: There is an impact of consumer price index on GDP.

FDI is form of investment by building, buying total or acquiring companies. With an optimally allocated investment, it will increase the added value for an economy through economic growth in the end. With the current development of globalization.

This, there is a huge opportunity and hope for Indonesia to become a place for business to move investing in foreign parties (foreign), this can be a driving force for its openness employment opportunities in the country which will ultimately im-prove the welfare of in GDP terms and increase population income (Anoraga , 2005)Research conducted by (Jufrida, 2016) shows that the Foreign Direct In-vestment (FDI) is positive, but it is not economic growth significantly. Based on the above display can be taken the follow-ing hypothesis:

H2: There is an impact of Foreign Direct Investment (FDI) on GDP

The major portion of the financial literature point out that financial institution devel-opment should lead to the development of any economy.

Demetriades (2006) examine the di-rection of causality between economic growth and financing sector development which covered sixteen developing coun-tries, and the results of this study proof that the financing is a major factor in the economic growth.

H3: There is an impact of Bank Credit on GDP

According to (Todaro M. P., 2003) popula-tion growth and generation growth work (which occurs after growth population) traditionally as one of the driving positive factors economic growth. Total manpower bigger means more the number of produc-tive workforces, meanwhile greater popula-tion growth means increasing the size of its domestic market.

Increase population and related matters with an increase in the number of the workforce (labour force) is also considered a factor which is positive in determining economic growth. That is, more and more workforce, means more productive labour. Because by getting bigger the workforce, will increase the rate labour participation. Research conducted by (Sulaksono, 2015) shows that:

H4: There is an impact of Labour Force on GDP

RESEARCH METHOD

The research design or research approach is quantitative research (Sulaksono, 2015) This study used a literature study on the effects of Consumer Price Index, Foreign Direct Investment (FDI), bank credit and labour force on economic growth in Indo-nesia. Variables used in the study consist-ed of four variables consisting of one de-pendent variable (Dependent Variable) and three independent variables (Independent Variable). The dependent variables are economic growth is denoted by "GDP". The independent variables are foreign di-rect investment (FDI), bank credit, Con-sumer Price Index, and the labour force.

The population of this study are the data for GDP, direct investment (FDI), bank credit Consumer Price Index, and the la-bour force with annual data.

The sampling technique in this study uses probability sampling, which is a sampling technique that provides equal op-portunities for each element (member) of the population to be selected as a sample member. The sample in this study are the data for GDP, direct investment (FDI), bank credit, Consumer Price Index, and the labour force with annual data for four-teen consecutive years that are from period 2005-2019 years.

After determining the object of research, the next step that must be done is to de-termine the unit of analysis that will be used in this research. The analysis unit can be divided into 5, namely individual, pair, group, organization, and culture (Sekaran and Bougie, 2016). The sample in this study are the data for GDP, direct invest-ment (FDI), bank credit, Consumer Price Index, and the labour force with annual data for fourteen consecutive years that are from period 2005-2019 years.

This study uses secondary data. Secondary data sources are indirect data sources that can provide additional data and strengthen research data. The data collection tech-niques used is documentation. Documenta-tion is used for collecting data then analysed it.

The ECM is used to test model specifica-tions and test whether the data collection is appropriate. ECM modelling steps:

After the data is collected, it must be known in advance whether each of these variables can be used or not to sup-port the dependent variable, therefore each variable must be checked first, if the varia-ble meets the requirements, then the varia-ble is used, if the variable does not meet the requirements, then the variable is not used in modelling.

To determine whether the inde-pendent variable affects the dependent variable or not, the coefficient signifi-cance test is used using the t-test.

The hypothesis will be accepted when the significant value (p-value) <0.10, meanwhile if the significant value (p-value)> 0.10 so hypothesis will be 're-jected.

Suppose that the data obtained the follow-ing functions:

$$Y = \alpha + \beta X_t + e_t \quad (1)$$

Then model is formed into a dynamic model that includes lag or lag which is commonly known as the Error Correction Model which is defined as follows:

$$\Delta Yt = \alpha + \beta \Delta X_t + \gamma ECT_{t-1} \epsilon_t \quad (2)$$

RESULT AND DISCUSSION

Table 1. Description Statistics

	CPI	FDI	BC	LF	GDP
Mean	67.54012	9096.300	23807.77	104595697.86	628291431568.1
Median	60.40692	4895.500	21217.50	101534141	540440020890.9
Maximum	146.7299	25121.00	39402.00	135802884	1146844815417.
Minimum	11.73508	1093.000	10270.00	76019662	309821137734.3
Std. Dev.	44.99630	8335.135	9793.553	17378270	245809650034.2
Skewness	0.288702	0.814028	0.354748	0.072642	0.667644
Kurtosis	1.731234	2.014160	1.738719	1.909752	2.222297
Jarque-Bera	2.428951	4.528058	2.617768	1.512184	2.885279
Probability	0.296866	0.103931	0.270121	0.469498	0.236303
Sum	2026.204	272889.0	714233.0	3137870936	18220451515475.22
Sum Sq. Dev.	58715.33	2014759640.3	2781496983.36	87581234108	1.691826753399162
Observations	30	30	30	30	29

Based on table 1. It is known that for the Consumer Price Index (CPI) variable the minimum value 11.73508 the maximum value is 146.7299 the mean or average val-ue is 67.54012 and the standard deviation value is 44.99630.

For the FDI variable the minimum value is 1093.000, the maximum value is 1093.000, the mean or average value is 9096.300 and the standard deviation value is 8335.135.

For the Bank Credit (BC) variable the minimum value is 10270.00 the maximum value is 39402.00 the mean or average val-ue is 23807.77and the standard deviation value is 9793.553.

For the Labour Force (LF) variable the minimum value is 76019662 the maximum value is 135802884 the mean or average value is 104595697.86 and the standard deviation value is 17378270.

For the GDP variable the minimum value is 309821137734.3 the maximum value is 1146844815417, the mean or average value is 628291431568.1 and the standard deviation value is 245809650034.2.

This unit root test is used to determine whether the Consumer Price Index (CPI), FDI, Bank Credit (BC), Labour Force (LF) and GDP (economic growth) in annual data for fourteen consecutive years that are from period 2005-2019 years. The test developed by Dickey Fuller was carried out to avoid an inefficient model. This unit root test uses Augmented Dickey Fuller (ADF) statistics for the period 2005-2019. The following are the results of the ADF test in table below.

From table 2 and 3 above, this can be seen based on the statistical ADF numbers obtained in the critical value for the 1% significance level, the 5% significance, and the 10% significance for variable GDP, CPI, FDI and BC, LF is not significant. These results indicate that the statistical ADF value is higher than the critical value. Thus, it can be concluded that the data is not stationary and not significant in long run.

Table 2. ADF test results with intercept Unit Root Test Result at

Variable	ADF test Statistic	Critical value 1%	Critical value 5%	Critical Value 10%	Lag Length	p. value	Conclusion
GDP	3.573286	-3.689194	-2.971853	-2.625121	0	0.9999	Non-Stationary
CPI	2.443844	-3.679322	-2.967767	-2.622989	0	0.9999	Non-Stationary
FDI	0.373860	-3.689194	-2.971853	-2.625121	1	0.9780	Non-Stationary
BC	-0.161481	-3.679322	-2.967767	-2.622989	0	0.9329	Non-Stationary
LF	0.574502	-3.679322	-2.967767	-2.622989	0	0.9864	Non-Stationary

Table 3. Unit Root Test Result at First difference (1st), Intercept

Variable	ADF test Statistic	Critical value 1%	Critical value 5%	Critical Value 10%	Lag Length	p. value	Conclusion
GDP	-1.264823	-2.653401	-1,953858	-1.609571	0	0.0851	Non-Stationary
CPI	-3.117367	-3.699871	-2.976263	-2.627420	0	0.0371	Non-Stationary
FDI	-3.097344	-3.689194	-2.971853	-2.625121	0	0.0383	Non-Stationary
BC	-3.494657	-3.689194	-2.971853	-2.625121	0	0.0158	Non-Stationary
LF	-4.2021828	--3.689194	-2.971853	-2.971853	0	0.0029	Non-Stationary

From table 2 and 3 above, this can be seen based on the statistical ADF numbers obtained in the critical value for the 1% significance level, the 5% significance, and the 10% significance for variable GDP, CPI, FDI and BC, LF is not significant. These results indicate that the statistical ADF value is higher than the critical value. Thus, it can be concluded that the data is not stationary and not significant in long run.

After it is known that the Consumer Price Index (CPI), FDI, Bank Credit (BC), Labour Force (LF) and GDP (economic growth) in annual data for fourteen consecutive years that are from period 2005-2019 years data are stationary, it will then be tested whether there is a long-term equilibrium relationship between the Consumer Price Index (CPI), variable and GDP. This cointegration test aims to determine the long-term balance relationship between the Consumer Price Index (CPI), variable and GDP using the Johansen test.

From the results given in Table 4 for the Engle Granger co-integration test above, it can be seen that the statistic value assigned is 0.0029 for the trace which is less than the probability value of 0.10. This means that the variants have a long-term relationship. Thus, it can be concluded that the consumer price index (CPI), foreign direct investment, bank credit (BC), labour force (LF) and GDP (economic growth) in the annual data for fourteen consecutive years from 2005-2019 years have a long-term relationship.

Table 4. Engle Granger Counteraction Test

Null Hypothesis: ECT has a unit root
Exogenous: None
Lag Length: 1 (Automatic - based on SIC, maxlag =6)

		t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic		-2.685864	0.0092
Test critical values:	1% level	-2.653401	
	5% level	-1.953858	
	10% level	-1.609571	

*MacKinnon (1996) one-sided p-values.

Augmented Dickey-Fuller Test Equation
Dependent Variable: D(ECT)
Method: Least Squares
Date: 05/28/21 Time: 16:02
Sample (adjusted): 3 29
Included observations: 27 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
ECT(-1)	-0.377239	0.140454	-2.685864	0.0127
D(ECT(-1))	0.517197	0.186613	2.771493	0.0104

R-squared	0.288551	Mean dependent var	3.04E+09
Adjusted R-squared	0.260093	S.D. dependent var	2.56E+10
S.E. of regression	2.20E+10	Akaike info criterion	50.54158
Sum squared resid	1.21E+22	Schwarz criterion	50.63756
Log likelihood	-680.3113	Hannan-Quinn criter.	50.57012
Durbin-Watson stat	2.149980		

To ensure the speed that will be adjusted to changes in the real Gross Domestic Product (GDP) explanatory variable, the error correction model is determined. The results obtained are presented below:

Table 5. Error Correction Model (ECM) Result (Short Term)

Dependent Variable: D(GDP)
Method: Least Squares
Date: 05/19/21 Time: 16:08
Sample (adjusted): 2 29
Included observations: 28 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.07E+10	1.10E+10	1.888352	0.0722
D(BC)	-2476284.	5170679.	-0.478909	0.6367
D(CPI)	4.55E+08	1.54E+09	0.295370	0.7705
D(FDI)	6709133.	3896653.	1.721768	0.0991
D(LF)	1649.111	4103.619	0.401868	0.6917
ECT(-1)	-0.263829	0.151415	-1.742421	0.0954

R-squared	0.240373	Mean dependent var	2.99E+10
Adjusted R-squared	0.067730	S.D. dependent var	2.25E+10
S.E. of regression	2.18E+10	Akaike info criterion	50.63145
Sum squared reside	1.04E+22	Schwarz criterion	50.91693
Log likelihood	-702.8403	Hannan-Quinn criter.	50.71873
F-statistic	1.392314	Durbin-Watson stat	1.086949
Prob(F-statistic)	0.265630		

An examination of the results in table 5 shows that the error-correction estimate has an impressive goodness of fit. The R-squared value is 0.240373 and the adjusted pair is 0.067730, indicating that more than 6% of the short-term systematic variation in Real Gross Domestic Product (GDP) is explained by the explanatory variables during the study period. Thus, the hypothesis of a significant linear relationship between the dependent variables is validated. In the case of the contribution of the individual explanatory variables, all signs of the coefficient are correct. Durbin Watson's statistic of 1.086949 (approx. 2) shows that the estimated error correction model is free of serial correlation. The ECM term in the results has the expected negative sign and is significant at the five percent level. The error correction term captures the speed of adjustment from the short-run equilibrium. Coefficient of ECT is -0.263829 which shows the speed of adjustment toward equilibrium. Here the speed is 26.3829 percent per unit time.

The probability value of Consumer Price Index (CPI), variable is 0.6367 higher than 0.10 so H1 is rejected, means no impact CPI has no significant influence on GDP in annual data for fourteen consecutive years that are from period 2005-2019 years.

The probability value of FDI variable is 0.0991 less than 0.10 so H2 is accepted, means there is an impact FDI has significant influence on GDP in annual data for fourteen consecutive years that are from period 2005-2019 years.

The probability value of Bank Credit (BC) variable is 0.6367 higher than 0.05 so H3 is rejected, means no impact Bank Credit (BC) has no significant influence on GDP in annual data for fourteen consecutive years that are from period 2005-2019 years.

The probability value of Labour Force (LF) variable is 0.6917. This probability is higher than 0.05 so H4 is rejected, means no impact Labour Force (LF) has no significant influence on GDP in annual data for fourteen consecutive years that are from period 2005-2019 years.

Table 6. Long Run Result

Dependent Variable: GDP
Method: Least Squares
Date: 05/19/21 Time: 16:09
Sample (adjusted): 1 29
Included observations: 29 after adjustments

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.16E+11	1.95E+11	0.596406	0.5565
BC	6709640.	7393427.	0.907514	0.3732
CPI	1.42E+09	1.27E+09	1.118784	0.2743
FDI	12053589	3926575.	3.069746	0.0053
LF	1551.833	2805.088	0.553221	0.5852

R-squared	0.979694	Mean dependent var	6.28E+11
Adjusted R-squared	0.976310	S.D. dependent var	2.46E+11
S.E. of regression	3.78E+10	Akaike info criterion	51.70641
Sum squared resid	3.44E+22	Schwarz criterion	51.94215
Log likelihood	-744.7429	Hannan-Quinn criter.	51.78024
F-statistic	289.4829	Durbin-Watson stat	0.506311
Prob(F-statistic)	0.000000		

From table 6 it is known that the t significance value for Bank Credit (BC), variable is higher than 0.10, so it means that the first hypothesis in this study is rejected. So, there is no significant influence between Bank Credit on GDP. So H1 is rejected.

From table 6 it is known that the t significance value for the Consumer Price Index (CPI) variable is higher than 0.10, meaning that the second hypothesis in this study is rejected. So, there is no significant influence between CPI on GDP. So H2 is rejected.

From table 6 it is known that the t significance value for the Foreign Direct Investment (FDI) variable is less than 0.10, so it means that the third hypothesis in this study is accepted. So, there is significant influence between Foreign Direct Investment on GDP. So H3 is accepted.

From table 6, it is known that the t significance value for the Labour Force (LF) variable is higher than 0.10 so it means that the third hypothesis in this study is rejected. So, there is no significant influence between Labour Force on GDP. So H4 is rejected.

Based on the research results it is known that the probability value (p) for the Con-sumer Price Index (CPI), variable is higher than 0.10, so it means that the first hy-pothesis in this study is rejected. So, there is no impact of Consumer Price Index (CPI). So H1 is rejected.

Consumer Price Index Normally, eve-ry consumer price index is used by Indo-nesia for development expenditure. He hopes to finance various development pro-jects and create economic growth that is indicated by rising GDP values and creat-ing jobs, which in turn can contribute to reducing poverty. Some debts are even used to cover principal and interest debt instalments. The condition is certainly not favourable. Which are expected to move the economy, have been sucked in by reg-ular spending, which is largely allocated to principal instalments and debt interest. Debt whose main target is to support eco-nomic development and growth will be the burden of the government when mak-ing such debt payments.

According to (Halim, 2016)the budgeting process is inseparable from fi-nancial management. Therefore, in dis-cussing the development of the budget system in government will always be asso-ciated with changes in the laws governing financial management. Before there was a law governing the financial management of the country, the existing budget system in Indonesia still used the budget system derived from the Dutch colonial. The de-velopment of political conditions is one of the factors driving the change of existing policies and impact on the formation of laws, including discussing the financial management of the country.

So, the higher Consumer Price Index (CPI). In Indonesia will affecting the higher economic growth or GDP. Re-search conducted by Junaedi (2020) shows that the results show that consumer price index has a correlation with the con-ditions of the national economy.

Based on the research results it is known that the probability value for the signifi-cance value for the FDI variable is lower than 0.10, meaning that the second hy-pothesis in this study is accepted. So, there is impact of FDI on GDP. So H2 is accepted.

FDI is form of investment by buying total or acquiring companies. FDI has more ad-vantages, including long-term, many con-tribute to technology transfer, transfer of management skills, opening the field new jobs, where employment is very important for developing countries remembering lim-ited government capacity to provide em-ployment opportunities. Gross Domestic Product or GDP is economic statistics are the most concerned because they are con-sidered as a measure single best regarding people's welfare. The underlying thing is because GDP measures two things at the same time: the total income of all insiders' economy and total state spending to buy goods and services of the economy. Ac-cording to Adam Smith (Todaro, 2010), economic growth is influenced by two main factors, namely total output growth and population growth.

So the higher FDI in Indonesia will affecting the higher economic growth or GDP. The research also supported by re-search conducted by (Jufrida, 2016) shows that the Foreign Direct Investment (FDI) is positive in economic growth significantly.

Based on the research results it is known that the probability value, for the Bank Credit (BC) variable is higher than 0.10, so it means that the third hypothesis in this study is rejected. So, there is no impact of Bank Credit on GDP. So H3 is rejected.

The major portion of the financial literature point out that financial institu-tion development should lead to the de-velopment of any economy. The relation-ship between development of financial sector and the economic growth firstly presented through work of Schumpeter. He confirmed that the services provided by financial institutions could stimulate technological innovation and economic growth by funding productive invest-ments. The different people from different sector and different organization require financing for many purposes. The financial services provided the finance from differ-ent financial institutions that are divided into capital and money markets.

So, the higher average of bank credit will make higher economic growth to have significantly affecting GDP. This research results are supported by previous study done by (Demetriades, 2006) that examine the direction of causality between economic growth and financing sector de-velopment which covered sixteen develop-ing countries, and the results of this study proof that the financing is a major factor in the economic growth.

Based on the research results it is known that probability value for the Labour Force (LF) variable is higher than 0.10, so it means that the fourth hypothesis in this study is rejected. So, there is no impact of Labour Force on GDP. So H4 is rejected.

Total manpower bigger means more the number of productive workforces, meanwhile greater population growth means increasing the size of its domestic market. Nonetheless, it is still questionable whether the rate is correct rapid popula-tion growth will have a positive impact or negative to economic growth.

Further-more, it is said that the positive or negative influence of population growth de-pending on the ability of the regional eco-nomic system to absorb and productively take advantage of increase the workforce.

These abilities affected by labour and accumulation capital, and the availa-bility of inputs and factors supporting production, such as skills managerial and administrative. Increase population and related matters with an increase in the number of the workforce (labour force) is also considered a factor which is positive in determining economic growth. That is, more and more workforce, means more productive labour. Because by getting bigger the workforce, will increase the rate labour participation. This research result also supported by previous study done by (Sulaksono, 2015).

CONCLUSSION

Based on the results of data analysis and discussion that has been presented, the following conclusions can be drawn: 1) Consumer Price Index (CPI) has no impact on GDP in short term and long term; 2) Foreign Direct Investment (FDI) has a impact on GDP in short term and long term; 3) Bank Credit (BC) has no impact on GDP in short term and long term; 4) Labour Force (LB) has no impact on GDP in short term and long term.

Sugestion for academics, further research should be added the independent variable of this study but also other variables that are considered influencing GDP. So, as expected more accurate results will be obtained. For the government, especially Indo-nesia government should include and maintain their good performance in line with GDP growth and FDI, and make lower foreign debt in order to achieved better GDP in long term.

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