

## THE EFFECT OF EXPORT, ISLAMIC MUTUAL FUND, AND LABOR FORCE ON ECONOMIC GROWTH IN INDONESIA

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### Abstract

This study aims to determine the effect of exports, Islamic mutual funds, and the labor force on economic growth. This is quantitative research with an associative approach. The data used were secondary data which was obtained through the official website of the Central Statistics Agency (CSA) and the Financial Services Authority (FSA). The study used multiple linear regression analysis with the Ordinary Least Square (OLS) method by the E-Views version 10 program. From the results obtained, it can be explained that exports had a significant positive effect on Indonesia's economic growth. Islamic mutual funds had a negative significant effect while the labor force had a positive significant effect on Indonesia's economic growth. In the F (simultaneous) test there was a simultaneous significant effect among exports, Islamic mutual funds, and the labor force on Indonesia's economic growth. Adjusted R-squared = 0.863602. This showed that the independent variables are able to provide an explanation about 86.3% of the dependent variable. Meanwhile, 13.7% more was explained by other variables outside the model.

**Keywords:** Export, Islamic Mutual Funds, Labor Force, and Economic Growth

## **Introduction**

### **Background**

The Indonesian's economy is heavily supported by various sectors, those that greatly affect it is national income. National income or as known as Gross Domestic Product (GDP) is a measure of economic growth that reflects a country's economic development (Machmud, 2016). There are factors that affect economic growth itself. According to Harrod Domar's theory, there are several factors that affect economic growth in a country such as exports, imports, investments, taxes and etc. In addition to the factors mentioned above, labor force also has effect on economic growth itself (Tambunan, 2020).

Exports in Indonesia also have effects on the country's economic growth. Exports are efforts to sell commodities that we have to other countries or foreign nations in accordance with government regulations by expecting payment in foreign currencies, as well as communicating in foreign languages (Pridayanti, 2013). In addition to exports, investment also plays a role in the economic growth of a country. Investment as one of the important components of aggregate demand (AD) which is a crucial factor for the continuity of the long-term economic growth process. Economic growth involves the production of goods or services in all economic sectors (Rahayu et al., 2016). There are various types of investment in Indonesia, such as conventional and islamic investments. The presence of islamic products in the Indonesian capital market is marked by the launch of islamic mutual funds as the initial milestone of islamic investment which is resulting that islamic investment becomes a new trend in the capital market environment in Indonesia.

Table 1. The development of exports, islamic mutual funds and the labor force on economic growth in Indonesia in 2011-2020

Number	Years	Export (millionUS\$)	Islamic mutual fund (Rp. Billion)	Labor force (thousand person)	Economic growth
1	201	203496,	65486,9	219462,	6.3
	1	6	3	2	
2	201	190031,	72636,4	226566,	6.1
	2	8	3	9	
3	201	182551,	107226,	228690,	5.6
	3	9	8	7	
4	201	176292,	115347,	232798	5
	4	7	5		
5	201	150393,	132543,	235666	4.9
	5	3	1		
6	201	144489,	130375,	239059,	5.1
	6	7	8	7	
7	201	168828,	239040	245561,	5.2
	7	3		3	
8	201	180012,	384519,	255761,	5.07
	8	5	4	7	
9	201	167683	532745,	260447,	5
	9		1	9	
10	202	160018,	769648	261747,	-2.07
	0	3		1	

Based on the data above, it can be seen that export growth had increased and decreased, while islamic mutual funds and the labor force have experienced a good increase. However, in reality, islamic mutual funds and a large workforce have not been able to encourage economic growth. The increase in islamic mutual funds and the workforce means that there has been an increase in economic growth. Conversely, if islamic mutual funds and the workforce experience a decline, economic growth will also decline. In fact, islamic mutual funds and the labor force have increased, but economic growth has decreased. In previous studies, the results of research, it turns out that partially investment has a significant effect on economic growth and the labor force has a significant effect on economic growth (Eliza, 2015). Likewise, high exports do not guarantee high economic growth either. According to Ginting in his research, an analysis of the effect of exports on Indonesia's economic growth, the results of the study indicated that to encourage Indonesia's economic growth it was necessary to increase Indonesia's export performance. Improving Indonesia's export performance could be done in various ways, some of them were by improving the export administration system, increasing research and development of Indonesian products,

**Imsar, Khairina Tambunan, Ranti Silviani, Muhammad Ikhsan Harahap.** The Effect Of Export, Islamic Mutual Fund, And Labor Force On Economic Growth In Indonesia

improving infrastructure facilities and infrastructure, exchange rate stability and expanding non-traditional markets, including improving the structure of commodity exports (Ginting, 2017).

The reason of why the author is interested in raising this title is because exports have an important role in the economic activities of a country. Exports will generate foreign exchange which will be used to finance raw materials and capital goods needed in the production process that will form added value. The aggregation of added value generated by all production units in the economy is the value of the Gross Domestic Product. As islamic mutual funds are islamic-based investment facilities, they have a lower risk than other islamic investments. The initial capital used is small so that everyone can invest and learn to invest. A large labor force will be formed from a large population. According to BPS, the demographic bonus came in September 2020, an increase in the number of productive age population reaching 70.7% of the total population in Indonesia, this has an impact on economic growth.

Based on the background described above, the researcher was interested to do research with the title: "The Effect of Exports, Islamic Mutual Funds, and The Labor Force on Economic Growth in Indonesia".

## **Methods**

The type of data used by researcher in this study was secondary data. The secondary data used by researchers in this study was in the form of time series with a period of 2011-2020. It was quantitative, namely data was served and nalyzed in the form of numbers and the data source was obtained from data that has been published by the official website. Economic growth, exports, and labor force data were from [www.bps.go.id](http://www.bps.go.id) and statistics on islamic mutual funds data were from [www.ojk.go.id](http://www.ojk.go.id) as well as other supporting data were obtained from books, journals and previous study. This study used Ordinary Least Square (OLS) regression analysis by E-views version 10 in order to determine the magnitude of the effect of one independent variable on the dependent variable. This model used a formula or rules that are in suitable with the research approach (Gujarti, 2003). This study used Ordinary Least Square (OLS) regression analysis by E-views version 10 to saw the relation between The Effect of Exports, Islamic Mutual Funds, and The Labor Force on Economic Growth in Indonesia. First, the data had through a classic assumption test starting from normality test, heteroscedasticity test, multicollinearity test and autocorrelation test. Second, use simple linear regression to test hypothesis partially, t's show the relation between the independent variable and dependent variable. The last, multiple linear regressions has been used to show the relation between the independent variable and dependent variable simultaneously.

## **Result and Discussion**

In order to prove the proposed hypothesis, the OLS(Ordinal Least Square) by E-views 10 approach is used. The results are as follows:

### **Multiple Linear Regression Model**

Multiple linear regression analysis test is an analysis of the relationship between one dependent variable and two or more independent variables.

**Table 2. Multiple Linear Regression**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
	-			
C	13.60841	1.833367	-7.422634	0.0000
X1	6.30E-05	1.03E-05	6.139850	0.0000
X2	-1.97E-05	1.58E-06	-12.44372	0.0000
X3	0.000221	2.76E-05	8.027510	0.0000
R-squared	0.874094	Mean dependent var		1.155000
Adjusted R-squared	0.863602	S.D. dependent var		0.629061
S.E. of regression	0.232326	Akaike info criterion		0.013286
Sum squared resid	1.943108	Schwarz criterion		0.182174
Log likelihood	3.734277	Hannan-Quinn criter.		0.074351
F-statistic	83.30920	Durbin-Watson stat		0.347041
Prob(F-statistic)	0.000000			

Source: Data were processed by E-Views 10

From the results of multiple linear regression analysis using the OLS method and time series, an equation model could be drawn for the effect of each variable on economic growth in Indonesia. The equation estimation model was as follows:

$$Y = -13.6084 + 0.00062992 * X1 - 0.000019659 * X2 + 0.00022 * X3$$

### Hypothesis Test

The coefficient of determination test aims to measure how far the independent variable can explain its influence on the dependent variable in the model used.

**Table 3. Coefficient of Determination Test (R<sup>2</sup>)**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-13.60841	1.833367	-7.422634	0.0000
X1	6.30E-05	1.03E-05	6.139850	0.0000
X2	-1.97E-05	1.58E-06	-12.44372	0.0000
X3	0.000221	2.76E-05	8.027510	0.0000
R-squared	0.874094	Mean dependent var		1.155000
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S.E. of regression	0.232326	Akaike info criterion		0.013286
Sum squared resid	1.943108	Schwarz criterion		0.182174
Log likelihood	3.734277	Hannan-Quinn criter.		0.074351
F-statistic	83.30920	Durbin-Watson stat		0.347041
Prob(F-statistic)	0.000000			

Source: Data were processed with E-Views 10

The table above used the Adjusted R-Squared value because there were three independent variables, the coefficient value used was Adjusted R -squared = 0.863602. This showed that the independent variables were able to provide an explanation of the dependent variable of 86.3%. Meanwhile, 13.7% more was explained by other variables outside the model.

## Discussion

### The Effect of Exports on Indonesia's Economic Growth

Based on the results of regression analysis with the probability value of the variable X1 (Exports) as much as 0.0000, the value is smaller than = 0.05 (0.000 < 0.05). This meant that the export value variable had a significant effect on Indonesia's economic growth. And it could be explained that the export variable with a coefficient value of 6.29918275811 stated that exports were 0.00062992 it concluded that exports had a positive and significant effect

**Imsar, Khairina Tambunan, Ranti Silviani, Muhammad Ikhsan Harahap.** The Effect Of Export, Islamic Mutual Fund, And Labor Force On Economic Growth In Indonesia

on Indonesia's economic growth. In every increase of exports US \$ 1 million, economic growth increased by 0.0062992% with the assumption of *ceteris paribus*. On the other hand, if exports fell by US\$ 1 million, then economic growth would decrease by about 0.0062992% with the assumption of *ceteris paribus*. Here, the export variable had a significant effect on Indonesia's economic growth.

This research is linear with the previous one which was conducted by Pridayanti with the title 'The Effect of Exports, Imports, and Exchange Rates on Economic Growth in Indonesia for the period 2002-2012' (Pridayanti, 2013). The results of the study concluded that exports had a significant effect on economic growth in Indonesia.

The Effect of Islamic Mutual Funds on Indonesia's Economic Growth

Based on the results of regression analysis with the probability value of the X2 variable (Islamic Mutual Funds) of 0.0000, the value is smaller than  $= 0.05$  ( $0.000 < 0.05$ ). This meant that the variable value of Islamic mutual funds had a significant effect on Indonesia's economic growth. The coefficient value of islamic mutual funds -0.000019659 states that islamic mutual funds have a significant effect on economic growth but the effect was negative. Every increase in islamic mutual funds of Rp. 1 billion then the value of economic growth decreased by 0.000019659 percent. On the other hand, every decrease in islamic mutual funds by Rp. 1 billion then the value of economic growth would increase by 0.000019659 percent. So that the Islamic mutual fund variable had a significant effect on Indonesia's economic growth but the effect was negative.

This research was linear with Nurafiati's study with the title "The Development of the Islamic Capital Market and Its Contribution to Economic Growth in Indonesia" (Nurafiati, 2019). The results of her research were in the Coefficients table, Islamic mutual funds had a negative and insignificant contribution to economic growth in Indonesia in 2003-2017. Since the operationalization system of islamic mutual funds was still reaping various problems, islamic mutual funds were not yet known by all circles of society because they were considered to be lacking in socialization. It was proven that when it was compared to conventional mutual funds, the NAV was superior to islamic mutual funds. And Tambunan's research entitled "Analysis of the Effect of Investment, Monetary Operations and ZIS on Indonesia's Economic Growth" (Tambunan, 2016). The results of the research show that Islamic mutual funds as a form of investment had not had a real effect on Indonesia's GDP, although the effect is positive.

### The Effect of the Labor Force on Indonesia's Economic Growth

Based on the results of regression analysis with the probability value of the variable X3 (Labor Force) of 0.0000, the value was smaller than  $= 0.05$  ( $0.000 < 0.05$ ). This meant that the variable value of the labor force had a significant effect on Indonesia's economic growth. The value of the labor force coefficient was 0.00022166 which meant that an increase in the workforce by 1000 people would increase Indonesia's economic growth by 0.22166% with the assumption of *ceteris paribus*. Conversely, if the labor force decreased by 1000 people, it would reduce Indonesia's economic growth by 0.22166% with the assumption of *ceteris paribus*. Here the labor force variable had a significant effect on Indonesia's economic growth. This research is linear with Munthe's research entitled "The Effect of Investment Level and Labor Force on Indonesia's Economic Growth. The results of the study show a positive and significant influence on Indonesia's economic growth (Munthe, 2019). The factor that had the highest elastic level in economic growth was the labor variable. This study shows that although Islamic mutual funds had not significantly affected economic growth, the possibility still existed. So the government is expected to be able to provide stabilization of education and socialization of islamic investment, especially islamic mutual funds to the public so that they can provide an economic improvement in islamic-based investment and have more confidence in islamic mutual funds.

The existence of islamic mutual funds is expected to be able to contribute to economic growth. Because this islamic mutual fund is a liquid islamic monetary instrument and is easy for the public to do so that people can easily understand the basics of investing in islamic mutual funds. Beside islamic mutual funds, exports have become one of the variables that have been proven to have an influence on Indonesia's economic growth. So that the government needs to pay attention to providing policies that can protect Indonesian exporters by protecting the output produced by exporters and stabilizing the taxes set by the government. The results show that the labor force also has an influence on Indonesia's economic growth. So it is hoped that the labor force will increase the quality of their human resources in order to produce better national output that supports Indonesia's economic development, starting from educational facilities and developing skills from training so that it can develop human resources that are able to encourage the Indonesian economy.

## Conclusion

Based on the tests that had been carried out, conclusions can be drawn from the results of the research estimates obtained, namely:

The export value had a significant and positive relationship to Indonesia's economic growth for the period 2011-2020. The value of Islamic mutual funds had a significant effect and has a negative relationship on Indonesia's economic growth for the period 2011-2020.

The value of the labor force had a significant and positive relationship to economic growth for the period 2011-2020. Simultaneously, the variables of Export, Islamic Mutual Funds, and the Labor Force affected Indonesia's Economic Growth as an indicator of economic growth for the period 2011-2020. The results of the study simultaneously show that around 86.3% of the variables Export, Islamic Mutual Funds, and the Labor Force affected Indonesia's Economic Growth as an indicator of economic growth for the period 2011-2020, while the remaining 13.7% was explained by other factors.

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