Analysis of the Influence of Monetary Policy on Economic Growth in Indonesia in 2014-2018 in the Perspective of Islamic Economics

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Abstract

The objective of this study is to examine the impact of investment, interest rates, and money supply on the economic growth of Indonesia between 2014 and 2018. The research employs quantitative methods, specifically utilizing Ordinary Least Square (OLS) models for analysis. This investigation falls under the category of literature review or documentation research. The dataset utilized consists of time series data, primarily obtained from the official website of the Badan Pusat Statistik (BPS). The findings of this study reveal that investment, interest rates, and money supply collectively exerted a significant influence on the economic growth of Indonesia during the period of 2014-2018.

Keywords: Investment, Interest Rate, Money Supply, Economic Growth
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Introduction

Monetary policy is a policy originating from the monetary authority or government that uses interest rates and the money supply to reduce economic instability and influence the level of aggregate demand (Winarto et al., 2021). There is one parameter of the progress of each country, namely economic growth. The stability of economic growth requires the growth of the money supply to be at a fixed or changed level or not being regulated by the government or monetary authorities (Sean, 2019). Economic growth is one of the most important measures of any country's economic success. Economic growth can describe the impact of development policies implemented by the government. In order to maintain economic growth, every year the country's economic activity must also increase.

In a country, the level of economic growth achieved is assessed using the development of real national income, namely national income that can be monitored from three approaches, one of which is GDP (Gross Domestic Product) (Nawati, 2019). In a macro study, Gross Domestic Product (GDP) is a measure of a country's economy. Economic spending and income flows over a given period are measured by GDP. Economic growth refers to the mechanism for increasing production in the form of goods and services as part of the community's economic activities. The GDP value used to measure economic growth is real GDP, so the results obtained from the growth rate are real growth caused by additional production (Wahyuni, 2018).

From a macroeconomic point of view, investment is one of the most important factors in development and economic growth. Investment is the addition of production goods and capital in order to increase the ability of the economy to produce goods and services. The emergence of new investment means that there is a possibility of giving birth to new capital to accommodate new production actors, such as the creation of new jobs that can absorb labor, then in the end unemployment can be reduced. Therefore, new income and production addition to production factors will increase national production which will lead to economic growth (Nawati, 2019).

Interest rate is the monetary policy of the Central Bank by increasing or decreasing the amount of money by means of raising or lowering interest rates. If the Central Bank raises interest rates, it is hoped that people will be interested in saving money in banks so that the money supply will decrease. Because of low interest rates, people are not interested in saving and interest rates on loans have decreased, so many people are interested in applying for loans from banks. This increases the amount of money circulating in society. Interest rates are usually lowered when the economy is in a recession (Ambarwati et al., 2021). The money supply is one of the tools used by BI (Bank Indonesia) to stimulate economic activity. The economic growth of each country can also be affected by the money supply. The following is data related to Gross Domestic Product (GDP), investment, money supply, interest rates in 2014-2018:

Table 1. Indonesia's GDP, Investment, Money Supply, and Interest Rates 2014-2018

Year	GDP (billion IDR)	Investment (billion IDR)	Amount of Money in Circulation (Billion Rp)	Interest rate (%)
2014	10.569.705	3.513.558	4.173.330	7.75
2015	11.526.332	3.788.237	4.548.800	7.50
2016	12.401.728	4.139.130	5.004.980	4.75
2017	13.589.825	4.399.662	5.419.170	4.25
2018	14.838.756	4.909.016	5.760.046	6.00

Source: Central Bureau of Statistics, 2018

Based on table 1, it shows that the Gross Domestic Product (GDP) has continued to increase from 2014 -2018. Investment also continued to increase in the same period. From year to year the money supply continues to increase, the money supply in 2014 was 4,173,330 billion and continued to increase until 2018 with the money supply amounting to 5,760,046 billion. Meanwhile, interest rates that occur in Indonesia are contained in table 1 shows that from year to year interest rates fluctuate. Interest rates in 2015-2017 continued to decline. Where the interest rate in 2015 was 7.50%, then in 2016 it fell to 4.75%. Furthermore, in 2017 the number decreased again to 4.25%. Then interest rates increased which occurred in 2018 by 6.00%. From these data, it shows that the direction of movement between economic growth and investment and its relationship with the money supply and interest rates tend not to be in line with theory, as well as the results of previous studies.

According to Sudirman (2022) the interest rate is an important factor in the economy. The interest rate determines the amount of investment, because the interest rate is the cost of capital that will be issued by investors when using loan capital. If low interest rates can encourage investment growth, because the cost of capital becomes cheap, and vice versa. Investment decisions will be made if the level of income from investing is greater than the interest rate. The lower the interest rate, the more profit will be obtained, and vice versa. Investment is expenditure directed to increase the amount of production. On the other hand, investment can increase the number of means of production in society which in turn will have implications for increasing income and economic growth, and at the same time will also increase the money supply (Sudirman, Nurul Hidayat A., 2022).

This view is consistent with the research findings of Asnawi & Fitria (2018), which states that the money supply has a positive effect on economic growth. However, interest rates do not have a significant impact on economic growth. Where this is inversely proportional to the research of Ambarwat et al. (2021) and (Kristianingsih, 2019) conclude that the money supply and the BI

rate have a significant and positive effect on economic growth. Then there are also differences with the research by Prihat et al. (2019) found that the money supply and interest rates have a negative effect on economic growth.

Some of the research results that have been carried out, show a series of government monetary policies that still do not definitely affect economic growth, this situation is an interesting phenomenon to study, especially because it occurs in the era of globalization, where the velocity of money becomes very fast. Therefore, researchers aim to conduct research on the impact of investment, interest rates and the amount of money on economic growth in Indonesia in 2014-2018.

Literature review

Monetary policy is a government policy which aims to improve economic conditions by managing the large amount of money circulating in society. In macroeconomic analysis, the amount of money circulating in the community will have a large effect on the output level of the economy itself, besides that, the amount of money circulating in the community will also affect the level of price stability. In the modern economy, there are several instruments used in the modern economy, monetary policy is carried out in several instruments in monetary policy, namely: determining the size of mandatory reserves in the banking sector, determining interest rates, and also open market operations.

In addition to this, monetary policy also has a meaning as a business carried out with the aim of increasing sustainable economic growth, but still maintaining price stability therein. Of course, in achieving this goal, the balance between the supply of goods and money must be regulated by the central bank and also the monetary authority, it is intended that the inflation rate can be controlled, full employment opportunities. In principle, Islamic monetary policy has almost the same goal as that of conventional monetary policy, namely maintaining the stability of the money itself (both internally and externally) so that the expected economic growth can be realized (Nawati, 2019).

The term investment is an expenditure and company investment that is used to buy goods as capital and production equipment for companies that aim to increase the company's ability to produce goods and services available in the economy. Investment can also be interpreted as a sacrifice of an opportunity that allows current consumption, with the aim of receiving benefits in the future.

In Islamic economics, investment is a muamalah activity where practice is highly recommended, this is because in Islam, we are encouraged to make our assets more productive, the past also prohibits us from keeping our assets quiet. Apart from making our assets more productive, investing will also bring benefits to many people. Because of this, investment is recommended in the Islamic economy, because it will be useful for the world and the hereafter. Investment in Islamic view is certainly different from investment in conventional terms, this is because in conventional economics, investment is influenced by the size of interest rates, whereas in Islamic economics there are no interest rates in it, because Islam strictly prohibits interest rates in conducting economic transactions.

Based on the opinion of Will Rogers, the money supply is the money supply as measured by the number of dollars owned by the general public, and it is assumed that the Federal Reserve controls the money supply by increasing or decreasing the number of dollars in circulation. through open market transactions. The amount of money in circulation is meant not only money circulating in the community, but all money issued by Central Banks or Commercial banks.

Economic development in a country can describe the development of the money supply. This happens because if the economy grows and develops, it will have an additional amount of money in circulation but of a different composition, of course. If the economy is more developed, the use of currency (M1) will decrease because it is replaced by demand deposits (M2) (Devi Krisnawati & Nursiam, 2020).

In Islam, money is interpreted only as a tool to exchange, not as a commodity or merchandise. Money is a transaction tool that people use to value goods or services, be it money in the form of gold, copper, or silver as long as it is accepted in society and consider it money. Hoarding or saving money is not permissible in Islamic sharia, that is because hoarding or saving your own money in the sense that the money is not used or does not move will reduce the amount of money in circulation, and will cause an economic downturn. Because in the Islamic view, money is a flow concept (must flow) that's why money must circulate in the economy. Money is also not allowed to be hoarded because it will have a negative impact on economic growth (Nawati, 2019).

The interest rate is a measure of the return on investment that is obtained and owned by the owner of capital and also a measure of the cost of capital that must be issued by the company to be used by the owner of capital. For investors, deposit rates are beneficial because they are relatively higher than other forms of savings, not to mention risk-free deposit rates. A low interest rate policy will make people prefer investment and consumption over saving, while a policy of increasing deposit rates will make people prefer saving over investment or consumption (M. Natsir, 2014)

The price of the loan is interest Interest is a measure of the price of resources used by the debtor that is payable by the creditor. Interest rates are one of the variables in the economy that we keep an eye on because of their broad impact. It directly affects people's lives and has a great impact on the health of the economy. Usually, the interest rate is expressed as a percentage per annum of the loan amount (Nofitasari et al., 2017).

Changes in interest rates have an impact on individuals' inclination to seek loans from banks. Theoretically, as interest rates decrease, people become more inclined to borrow money from banks. This implies that when interest rates are low, individuals are more motivated to secure loans from banks in order to expand their businesses. Conversely, when interest rates are high, individuals are more inclined to save their money in banks rather than invest it in business growth (Sefle et al, 2014).

Typically, economic growth refers to the overall economic activities within a country or region that lead to additional income for the community over a specific timeframe. Simon Kuznets defined economic growth as a nation's capacity to supply economic goods to its citizens, resulting in continuous expansion of national production accompanied by technological advancements and adjustments in institutional attitudes and necessary ideologies of the country (Zahari, 2017). Economic growth entails the augmentation of goods and services produced in the economic activities of a society, aiming to increase output or national income in order to attain optimal economic growth. (Mahzalena & Juliansyah, 2019).

One of the criteria that can be used to assess a country's economic situation is national income. In addition, the national income data obtained can be used to predict the country's economy going forward. This prediction can be used by entrepreneurs to plan their future economic activities, as well as to formulate economic plans to carry out state development in the future (Naf'an, 2014).

The research was conducted by Indriyani (2016) from the UNKRIS Campus, Jatiwaringin, East Jakarta with the title "Analysis of the Influence of Inflation and Interest Rates on Indonesia's Economic Growth from 2005 to 2015". In this study it was found that interest rates and inflation together had a significant effect on Indonesia's economic growth in the 2005-2015 period.
Susandiana (2016) with the title "The Impact of Monetary Policy on Indonesia's Economic Growth in 1999-2014", where the results of his research show that the four variables such as inflation, interest rates, investment and the money supply have a significant influence on Indonesia's economic growth in 1999-2014.
Nuris Nawati (2019) with the title "Monetary Policy Analysis of Indonesia's Economic Growth for the 2008-2017 Period from an Islamic Economic Perspective". The results of the study prove that investment and interest rates do not partially affect economic growth, but the money supply does affect economic growth. Meanwhile, Indonesia's economic growth from 2008 to 2017 will be influenced by these three variables. The results of data processing with SPSS show that R2 = 0.999. This can be interpreted if the money supply and interest rates contribute 99% to economic growth, while the remaining 1% is explained by other variables that are not taken into account in this study.
A hypothesis is a statement that is still weak in truth, so it must be tested for truth. According to experts, a hypothesis can be understood as a relationship between two or more variables. Below is the hypothesis proposed in this study, namely:
H1: Investment has no effect on economic growth in Indonesia in 2014-2019.
H2: Investment has an effect on economic growth in Indonesia in 2014-2019.
H3: The money supply has no effect on economic growth in Indonesia in 2014-2019.
H4: The money supply has an effect on economic growth in Indonesia in 2014-2019.
H5: Interest rates have no effect on economic growth in Indonesia in 2014-2019.
H6: Interest rates have an effect on economic growth in Indonesia in 2014-2019.
H7: Investment, money supply and interest rates have no effect on economic growth in Indonesia in 2014-20179 simultaneously.
H8: Investment, money supply and interest rates simultaneously affect economic growth in Indonesia in 2014-2019.

Research Methods

This research method is a method of obtaining valid data, with the goal of being able to discover, develop, demonstrate and use knowledge to understand, solve and predict problems (Sugiono, 2019). The type of research used in this research is quantitative research. Quantitative research methods are research methods aimed at verifying given hypotheses based on the philosophy of positivism. Quantitative research methods are used to study a specific population or sample, data collection is done using research tools, and data analysis is quantitative (Siregar, 2013).
The purpose of this study is to investigate whether there is a relationship between two or more variables. We find this study to be associative. This research allows the development of theories that can be used to explain, predict and control symptoms (Syofian, 2013).
The type of secondary data is in the form of time series data used in writing this research, in an annual format with years of observation for 5 years from 2014 to 2018. Secondary data includes information from sources that do not provide information directly to the person collecting the data, such as through documents or other people (Syofian, 2013). Secondary data used in research can be obtained from research journals, articles, internet sites and books. Secondary

data itself is a data source that is obtained indirectly but can go through documents, etc. (Sugiyono, 2015).
The data source used comes from the BPS (Central Statistics Agency) website based on reports on investment data, money supply and interest rates for 2014-2018.
Data management and power analysis have different meanings, but are often used interchangeably (Arikunto, 2013). This study uses a data analysis method, namely quantitative analysis. Quantitative data analysis has the goal of knowing whether an independent variable has an influence or effect on the dependent variable. The multiple regression analysis method is used in analyzing the relationship between the dependent and independent variables (Asnawi & Fitria, 2018). This analysis uses the help of the Stata 14 program.
Data management uses the Ordinary Least Square (OLS) analysis method to analyze the relationship or linkages between both dependent and independent variables. When analyzing it, the OLS method is used to obtain parameter estimates (Tiwa et al., 2016). The following is the regression equation from this study:

$$Y = \alpha + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon$$

Where:
Y = Economic growth
X1 = Investment
X2 = total money supply
X3 = Interest Rate
α = Constants/ Intercepts
β1,2,3 = Regression Coefficient
ε = Standard Error

Results and Discussion

Descriptive statistics are intended to be presented or analyzed in the form of quantitative data, the purpose of which is to provide a description of the data studied, where in this study the data are in the form of GDP, investment, money supply, and interest rates.

Table 2. Descriptive statistics

Variable	Obs	Mean	Std. Dev.	Min	Max
Y	5	12585269	1681135.7	10569705	14838765
X1	5	4149921	541868.4	3513558	4909016
X2	5	4981265	640040.6	4173330	5760046
X3	5	6.05	1.575198	4.25	7.75

According to the calculations in table 2, the results of the minimum GDP (Y) are Rp. 10,569,705, and the maximum GDP is Rp. 14,838,756, and the average value is Rp. 12,585,269. This means that the standard deviation of the GDP value is IDR 1,61,135.7.
According to the calculations in table 2 the result of the investment (X1) is a minimum of IDR 3,513,558, and a maximum investment of IDR 4,909,016, and an average value of IDR 4,149,921. This means that the standard deviation of the investment value is IDR 541,868.4.
According to the calculations in table 2, the results of the minimum money supply (X2) are Rp.4,173,330, and the maximum money supply is Rp.5,760,046, and the average value is Rp. 4,981,265. This means that the standard deviation of the value of the money supply is Rp. 640,040.6.

According to the calculations in table 2, the results of the minimum interest rate (X3) are 4.25%, and the maximum interest rate is 7.75%, and the average value is 6.05%. This means that the standard deviation of interest rates is 1.575198%.

The classical assumption test must be carried out before the regression equation test when carrying out the regression analysis. The following are the results of the classic assumption test in this study:

The multicollinearity test is needed to find out whether or not disturbances are found in the data, whether there is multicollinearity if there is a relationship or the relationship between the independent variables. The following are the results of the multicollinearity test in this study:

Table 3. Multicollinearity Test Results

Variable	VIF	1/VIF
X2	5.66	0.005386
X1	6.87	0.006809
X3	6.95	0.143783
Mean VIF	6.49	

Source: Research Results (Data Processed in 2023)

According to Table 3, it shows that the results of the VIF test on variables X1, X2 and X3 are free from multicollinearity. This is because all variables have a VIF value below 10, meaning that all independent variables do not show multicollinearity. According to the requirements of the classical assumption, that the multiple linear regression model which can be considered correct is free from multicollinearity. Therefore, there is no multicollinearity for the variables X1, X2 and X3 in the respondent's model. The results of the VIF value are X1 of 6.87, X2 of 5.66 and X3 of 6.95.

Heteroscedasticity test is a tool of the regression model to see a condition that indicates the occurrence of differences in the variance of the residuals for all observations in each independent variable. The simple heteroscedasticity test can be said to be a test on a linear regression model that takes into account whether or not there is a difference in the variance of the residuals for all observations. In multiple linear regression, this test is included in the classical assumption test that must be carried out. If the assumption of heteroscedasticity is not carried out, this makes the regression model invalid or valid as an estimation tool. There are many methods when carrying out the heteroscedasticity test, but in this study the Breusch-Pagan method was used. It can be declared free of heteroscedasticity, if the P value given by Prob>chi2 is greater than 0.10. The table below is the result of the heteroscedasticity test in this study:

Table 4. Heteroscedasticity Test Results

Breusch-Pagan / Cook-Weisberg test for heteroskedasticity Ho: Constant variance Variables: fitted values of VAR_Y	
chi2(1)	0.92
Prob > chi2	0.3383

Table 4 shows that the P value is 0.3383 which means it is > 0.10, therefore in this study the regression model is free from symptoms of heteroscedasticity or it can also be called the same variant which is better known as homoscedasticity.

Autocorrelation serves as a tool to assess the presence of deviations from classical assumptions. It refers to the correlation observed between the residuals of a particular observation and other observations within a regression model. The requirement is that there should be no autocorrelation within the regression model. To conduct this test, the Breusch-Godfrey LM test was utilized as the testing method. The outcome of this autocorrelation test is presented as follows:

Table 5. Autocorrelation Test Results

Breusch-Godfrey LM test for autocorrelation

lags(p)	chi2	df	Prob > chi2
1	5.000	1	0.0253

H0: no serial correlation

Based on the Breusch-Godfrey LM test above, it shows that there was no autocorrelation found in this study. This is reflected in the probability result of 0.0253 which is greater than 0.05, which means that the data in this test meets the assumption that there is no autocorrelation.

The normality test has the objective of testing the related variables and independent variables in the regression model, these variables are normally or not normally distributed. This test can be run using the X7 non-graphical normality test, namely the Shapiro-Wilk test in Stata. The hypothesis is that if the p-value > α = 0.1 then Ho is accepted; while H1 is rejected, meaning it is normally distributed. If the p-value < α = 0.1, then Ho is rejected; while on the other hand H1 is accepted meaning it is not normally distributed.

Table 6. Shapiro-Wilk W Test Results

Shapiro-Wilk W test for normal data

Variable	Obs	W	V	z	Prob>z
Y	5	0.98409	0.188	-1.698	0.95525
X1	5	0.98403	0.188	-1.695	0.95497
X2	5	0.97606	0.283	-1.356	0.91253
X3	5	0.90075	1.172	0.217	0.41406

The hypothesis is that the residuals are normally distributed. The results of pvalue/Prob>z show a significance value of variable Y 0.95525, variable X1 0.95497, variable X2 0.91253 variable X3 0.41406 (above the critical value of 0.1), then we have enough evidence to accept H0, H1 rejected means normally distributed.

Table 7. Investment Regression Results, Money Supply, and Interest Rates on Economic Growth in Indonesia

Source	SS	df	MS	Number of obs	=	5
				F(3, 1)	=	574.95

Model	1.1298e+13	3	3.7661e+12	Prob > F	= 0.0306
Residual	6.5503e+09	1	6.5503e+09	R-squared	= 0.9994
				Adj R-squared	= 0.9977
Total	1.1305e+13	4	2.8262e+12	Root MSE	= 80934

Y	Coef.	Std. Err.	t	P>|t|	[95% Conf.	Interval]
X1	-.0575019	.9050686	-0.06	0.960	-11.55749	11.44249
X2	2.953119	.8615017	3.43	0.181	-7.993297	13.89954
X3	169057.4	67750.49	2.50	0.243	-691794.1	1029909
_cons	-2909170	1060383	-2.74	0.223	-1.64e+07	1.06e+07

Based on the data from Table 7 above, a multiple linear regression equation can be made as follows:

Y = - 2.909281 - 0.576748X1 + 2.95328X2 + 1.690627X3

From the regression model equation above, the research results can be interpreted as follows:

According to the linear regression equation, the negative direction of the constant value is -2.909281. If the value of X1, X2, X3 is 0, the value of economic growth (Y) is -2.909281.

The regression coefficient for X1 (investment) is -0.576748, indicating that a 1% increase in investment will lead to a -0.576748% decrease in Economic Growth (Y). The research findings demonstrate a negative regression coefficient, suggesting a negative association between investment and economic growth. This implies that as the level of investment increases, the economic growth in Indonesia tends to decrease. Conversely, a decrease in the level of investment is associated with higher economic growth in Indonesia.

The coefficient of X2 (money supply) in the regression equation is 2.95328, meaning that a 1% increase in money supply leads to a 2.95328% increase in economic growth (Y). The research results show a positive coefficient, indicating a direct relationship between the money supply and economic growth. Therefore, when the money supply increases, Indonesia's economic growth tends to increase. Conversely, a decline in the money supply is associated with a decline in the country's economic growth.

regression coefficient Regarding the regression coefficients, the study results are positive, implying a positive relationship between interest rates and economic growth. The higher the interest rate, the faster the Indonesian economy grows. On the other hand, the lower the interest rate, the slower the growth of the Indonesian economy.

The purpose of this test is to examine whether investment regression models, money supply and interest rates have significant effects on economic growth. Performance Rationale For this test, the rationale for the t-test decision is that at a significance value of 0.05 there is no effect between the variables X and Y. The test results in Table 7 show:

The multiple linear regression test results in the table above show that the coefficient value is -0.576748, but the significance value exists with probability 0.959 > 0.05. So we can understand that H0 is accepted and H1 is rejected. This means that no effect on economic growth or Y is found between investment variables or X1.

From the results of the multiple linear regression test in the table above, we can see that there is a significant value with a probability of 0.181 > 0.05 and the coefficient value is 2.95328. So it makes sense that H0 is accepted and H2 is rejected. This means that no effect on economic growth or Y is found between the JUB or X2 variables.

From the results of the multiple linear regression test in the table above, we can see that there is a significant value with a probability of 0.243 > 0.05 and the coefficient value is 1.690627. So we can understand that H0 is accepted and H3 is rejected. This means that no effect between interest rate variables or X3 on economic growth or Y is found.

The joint test (F) aims to determine whether the independent variables (X1, X2, and X3) together have a significant effect on the dependent variable (Y). If the combined test (F) has a significance value of 0.05, variable X does not affect variable Y at the same time.

Based on Table 7 above, the significance value of the joint influence of X1, X2, and X3 on Y yields an F-statistic value of 547.81 with a probability value of <0.0306. Using 0.05 indicates that H4 is acceptable. This means that X1, X2 and X3 affect Y at the same time. The coefficient of determination (adjusted R2) indicates the independent variables that explain the dependent variable. This can be described as the ratio of the total independent variable influence to the dependent variable. The R-squared value can be measured using the R-squared value or the adjusted R-squared value.

From the test results, the R-squared value is 0.999. In this case, the regression model can be interpreted as containing the effects of variables X1, X2, and X2.

The discussion about the influence of the three independent variables above will be explained as follows:

Based on the table of results of the multiple linear regression test with a probability of significance of 0.959 > 0.05 and a coefficient value of -0.576748, we can conclude that H1 is rejected. This means that X1 (ranking) is unaffected. It affects Y. From this we can conclude that H1 is rejected. This means that increasing or decreasing the amount of investment in Indonesia will not affect economic growth. The impact of investment on economic growth is not unidirectional. H. H. Increased investment followed by slower economic growth and vice versa. Investment theory holds that the most frequent change in the component of GDP occurs during a recession when consumption of goods and services declines. Most of the decrease was due to lower capital spending.

The results of this study suggest that investment variables have no effect, perhaps because economic growth is a process and does not consider the economy as a whole. In other words, there are dynamics here that take time to see how the economy evolves over time. The emphasis is on word processing because it contains dynamic elements that change and evolve. An increase occurred within 5 years, but the increase was neither large nor significant. This is because investments in Indonesia do not come from any part or single sector. But other industries also have multiple sectors and departments. Based on investment realization, the impact on economic growth is likely to last for a very long time, rather than being measured over just five years.

The money supply is one of the tools Bank Indonesia uses to stimulate economic activity. The circulation of money is the duty of the "Central Bank, Commercial Bank, State Credit Bank/BPR" monetary system. Domestic private sector (excluding state and foreign).

Based on a table of multiple linear regression test results with significant values of probability 0.181 > 0.05 and coefficient value 2.95328. From this we can conclude that H2 is rejected. This means that X2 (money supply) has no effect on Y. From this we can conclude that H2 is rejected. This means that changes in the Indonesian money supply do not affect Y economic growth. .

Based on the multiple linear regression test results in the table, there is a significant value with probability 0.243 > 0.05 and coefficient value 1.690627. From this we can conclude that H3 is rejected. This means that X3 (interest rate) has no effect on Y. We can conclude that H3 is rejected, which means that rising or falling interest rates in Indonesia will not necessarily have an

impact. affect economic growth. Therefore, the results of this study are consistent with the following theory. He believed that tighter or lesser funds would make interest rates more expensive, and higher interest rates would reduce demand for investment spending. On the one hand, falling interest rates will cause an increase in demand for credit, leading to stronger economic growth.

When viewed from the results of the study, it shows that the significance value of the simultaneous influence of X1, X2 and X3 on Y is less than 0.05, namely 0.0306 <0.05, so it can be concluded that H4 is accepted. That is, if H4 is accepted, then X1, X2, and X3 affect Y simultaneously. This can be interpreted that the investment variables, money supply and interest rates jointly affect Indonesia's economic growth in 2008-2017. These three factors or three variables can affect economic growth itself.

The increase in interest rates will also increase the amount of investment, this is of course the desire of the people to save their money in the bank, because then the community will get a more profitable return. Then, along with the increase in the amount of investment, it will be followed by a decrease in the amount of money circulating in society, this is what then triggers economic growth in Indonesia. This is in accordance with the Keynesian theory in his book entitled monetary policy and central banking that investment, money supply, and interest rates affect economic growth. Expansionary monetary policy (an increase in the money supply) can certainly reduce interest rates which will then be followed by triggering investment and consumption activities which will ultimately encourage economic growth. This economic growth will strengthen the macro economy.

Basically Islamic economics has the view that economic growth is a part of economic development. Economic growth itself is defined as growth that continuously occurs in the factors of production correctly and is able to contribute to human welfare. Based on this definition, it can be seen that economic growth according to Islam is something that is very important and influential for human life. However, in Islamic economics, an increase in the factors of production does not include economic growth if the goods produced are proven to have a negative impact and can harm humanity. How to measure Economic Growth in Islamic Economics is almost the same as conventional economics. However, Islamic economics also includes additional elements such as Zakat when calculating GDP or GNP. Islamic economics can be used as a benchmark for how to see economic growth and social welfare of people's income by using falah parameters in it.

The findings from the research conducted between 2014 and 2018 provide evidence that the variables of investment, interest rates, and money supply collectively influence the economic growth of Indonesia during that period. The data analysis using Stata reveals an R^2 value of 0.999, indicating that investment, interest rates, and money supply account for 99.9% of the variation in economic growth, while the remaining 0.1% is attributed to other variables not included in this study.

Economic growth itself does not only refer to material welfare, but also the welfare of the world and the hereafter. Islam does not allow excessive growth and imposes excessive and unreasonable spending or spending on human beings. In order to achieve a better life in the future, as human beings, we must have goals or plans that will be carried out so that we can feel true well-being. However, in achieving this goal, Muslims must not achieve it by doing things that are forbidden by Allah SWT, such as by producing, consuming, or trading goods that are prohibited and forbidden by Allah SWT. As is currently happening in society, Muslims have almost never had the opportunity to avoid transactions using conventional banks, which in their

transactions use an interest system which is subject to usury. In addition, it cannot be denied that currently Indonesia cannot be separated from the existence of conventional banks, in fact most of the economy in Indonesia is still controlled by conventional banks rather than Islamic banks. The prohibition of the practice of bank interest in the Islamic economy certainly has its own reasons. According to the Islamic view, bank interest is the same as usury and the law is unlawful. Riba creates a lot of mudhorot in its use.

One of the verses in the Koran that prohibit usury is the verse of Al-Baqarah (2:275) In this verse it is explained that riba (interest or additional profit charged on a loan) is forbidden by Allah SWT in Islam. Allah justifies fair buying and selling and also forbids usury. People who continuously receive usury are considered like people affected by madness controlled by the devil. For those who have realized this prohibition and stopped taking usury, Allah will forgive them the sins they have committed before. However, for those who continue to take usury after knowing this prohibition, they will become residents of hell and will remain therein forever.

Conclusion

An increase or decrease in investment volume in Indonesia will not affect economic growth. An increase or decrease in the money supply in Indonesia will not affect economic growth. Rising or falling interest rates in Indonesia will not affect economic growth. Investment, money supply and interest rates affect Indonesia's economic growth in the 2014-2018 period.

Suggestion

For the government in Indonesia, it should be able to create stable and good investment conditions to motivate domestic and foreign investors to invest in Indonesia, and be able to handle interest rates and the money supply so that they are more focused.

For Bank Indonesia, interest rates in Indonesia should be able to compete with interest rates in other countries, especially those that have penetrated the ASEAN Economic Community. Interest rates can be said to be competitive which does not mean the highest or lowest, but still must pay attention to the conditions of the existing economy by Bank Indonesia to set interest rates that are equivalent to current economic needs, this is done so that Indonesia through domestic investment can be more attractive to investors. However, caution is needed when giving a policy increase regarding interest rates. This is due to achieving the main goal of Bank Indonesia to maintain the stability of the value of the rupiah in order to encourage economic growth.

For future researchers, who wish to carry out research related to Indonesia's economic growth, it is best to add research variables because there are quite a number of variables that can affect economic growth in Indonesia. The reason is because this research has drawbacks, namely limited data collection, and related to the time it has been applied for only 5 years. Therefore, it is hoped that future research can increase the number of independent variables.

For the general public, based on the results of this study, the community is expected to be more concerned about the implemented government policies. When interest rates rise, the government aims to invite all people to invest, because when people invest, it reduces the amount of money circulating in society.

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