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THE EFFECTS OF BUDGET DEFICIT AND INDONESIA EXTERNAL DEBT ON ECONOMIC GROWTH IN INDONESIA FROM 2004 TO 2022

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Abstract:
As a developing country, Indonesia is still experiencing an upward decline in economic growth every year. These conditions can be caused by various influences. The study aims to assess the impact of budget deficits and external debt on economic growth in Indonesia between 2004 and 2022. The double linear regression method is implemented using the EViews 12 application and utilizes secondary data. The findings show that both independent variables, budget deficits and external debt, have a significant influence on the dependent variable, economic growth. The results provide an important contribution to understanding the dynamics of fiscal and external debt policies as well as their implications for the health of the country's economy. The use of EViews 12 and secondary data strengthens the reliability of the research methodology. The research findings not only contribute to academic literature on Indonesia's economy, but also provide practical implications for policymakers aimed at managing the complexity of fiscal management and debt sustainability. Overall, the study provides an in-depth understanding of the complex relationship between budgetary factors and economic growth, as well as the basis for future economic policy decisions in Indonesia.

Keywords:
budget deficit, external debt, economic growth.

Background
As a developing country, Indonesia still experiences ups and downs in economic growth every year. This condition can be caused by various influences. In 2008, Indonesia experienced the impact of the global crisis that started in the United States. Until September 2008, Indonesia's economic growth was still relatively strong, recorded at 6.1% (year-on-year). However, in the last quarter of 2008, Indonesia's economic performance experienced a significant decline due to the global crisis, although the fundamental conditions of the external sector, fiscal, and banking industry were still strong enough to withstand the impact of the global crisis. As a result, Indonesia's economic growth in 2009 declined to 4-4.7% from 5% in 2008 (Titiheruw et al., 2009). The budget deficit in Indonesia from 2004 to 2022 as a whole continued to show an increasing trend. During the period 2004-2007, fluctuations in the budget deficit figure appeared to be relatively stable. In 2008, there was a significant spike in the budget deficit, reaching the highest value over the previous year, at around IDR 95.5 trillion. However, a larger increase started in 2009, reaching a figure of around IDR 129.84 trillion. This increase occurred as the Indonesian government planned infrastructure development that required additional funds.
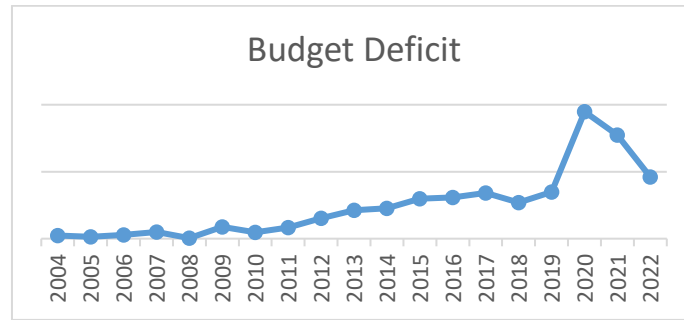
FIGURE 1. 1 INDONESIA BUDGET DEFICIT DATA (TRILLION)
Source: Central Government Financial Report

Based on the data above, Indonesia's budget deficit over the past 19 years has increased and also decreased. A fairly high increase in the budget deficit can be seen in 2020. This is due to the emergence of the Covid-19 pandemic in Indonesia which requires a lot of financing in government spending given the precariousness of the situation at that time. However, in 2021 to 2022, the budget deficit decreased again. This budget deficit situation ultimately led Indonesia to increase its sources of income, one of which was external debt. Other sources of income besides external debt are taxes, grants, or proceeds from the sale of goods and services. However, the Indonesian government tends to choose external debt as a way out because it is faster.
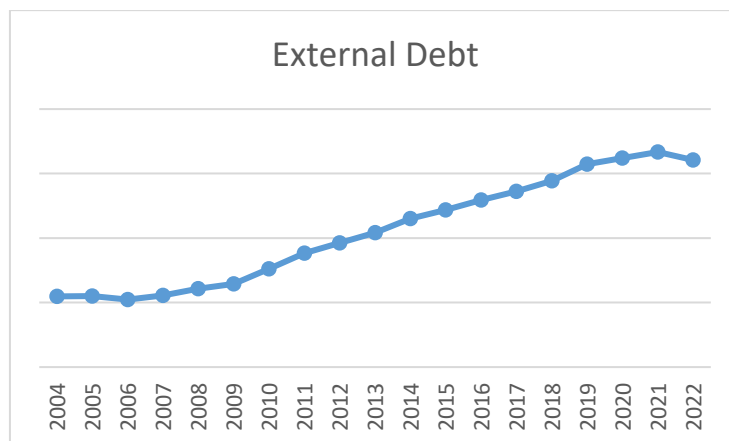
FIGURE 1. 2 INDONESIA EXTERNAL DEBT DATA (BILLION USD)

SOURCE: BANK INDONESIA

Based on the data above, Indonesia's external debt tends to increase. It can be seen in Figure 1.2 that Indonesia's external debt has increased every year except in 2022. In 2022, external debt decreased by 4.14%. This shows the good efforts of the Indonesian government which is trying not to continue to depend on external debt with a decrease in the percentage of external debt.
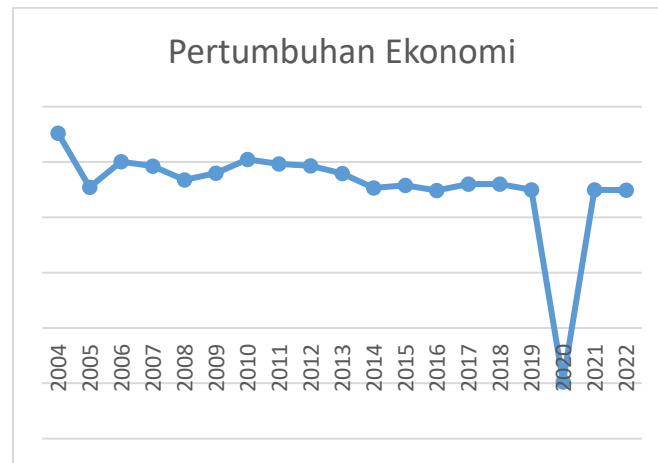
FIGURE 1. 3 INDONESIA ECONOMIC GROWTH DATA (PERCENT)

SOURCE: CENTRAL BUREAU OF STATISTICS

It can be seen in the data above, that Indonesia's economic growth is very volatile. In 2020, Indonesia's economic growth experienced a considerable decline, namely up to -2.07%. This happened because of the COVID-19 pandemic which greatly affected national economic activity at that time. However, in 2021 to 2022, economic growth again experienced a fairly good increase.

Over the past 18 years, economic growth has fluctuated in a positive direction, despite a decline of around 4.63% in 2009 due to the impact of the global crisis that took place in 2008. However, thanks to the experience of the crisis in 1998, the government has made efforts by implementing four policy measures which include recovery of private demand, restoration of public confidence, improvement of banking system efficiency, and resolution of corporate debt.

Since the spread of Covid-19 is still concentrated in China, posing a potential threat to the global economy, the Indonesian Government and authorities have taken responsive measures. Broadly speaking, there are two main dimensions in the Covid-19 handling stimulus, the first is for handling health as the main source of the cause of the crisis. The second dimension is the handling of the economic crisis as a domino effect of the health crisis, through the National Economic Recovery (PEN) program. The Indonesian government has made several efforts in the economic sector to deal with the crisis, including the National Economic Recovery (PEN), this program is part of a policy regulated in Government Regulation in Lieu of Law (PERPU) 1/2020 and implemented through Government Regulation (PP) 23/2020. In general, there are 6 main policies of the PEN program, namely health care, social protection, incentives for the business world, support for Micro, Small and Medium Enterprises, corporate financing, and sectoral programs of Ministries and Institutions and Regional Governments.

One of the reasons for Indonesia to take on external debt is the insufficient budget that Indonesia has or the occurrence of a budget deficit. The budget deficit that occurs in Indonesia is overcome by the government, one of which is by taking external debt as a solution to the source of funding for a budget that has been in deficit. Indonesia's budget deficit, if accumulated, will become Indonesia's external debt, because the quick way for the Indonesian government to cover the budget deficit is by taking on external debt. This is done to meet the needs of the national economy and development. Government spending that comes from debt has an impact on economic growth. It leads to more spending and can increase economic growth over time. However, it is not always good for the economy when the government borrows money from other countries. It can lead to more debt payments that we have to make.

THEORETICAL FRAMEWORK

Neo-classical Theory

Classical theory states that an increase in external debt to finance government spending will only increase economic growth in the short term, but will not have a significant impact in the long term due to the crowding-out phenomenon. crowding-out is a situation where there is excess demand in the economy which leads to reduced private investment, ultimately reducing gross domestic product.

The Neo-Classics argue that individuals have enough information to plan their consumption levels over their lifetimes. Government budget deficits financed by external debt will increase individual consumption. However, in the long run, the repayment of debt principal and installments will burden the next generation with increased taxes.

Assuming that all resources are fully utilized, an increase in consumption will lower the savings rate and lead to an increase in interest rates. An increase in interest rates will reduce private demand, leading the Neo-Classics to conclude that under full employment conditions, permanent government budget deficits and external debt settlements will crowd out private investment (Barsky et al., 1986)..

Ricardian Equivalence Theory

A different opinion is proposed by the Ricardian theory, which is explained by Barro, (1974) dan Evans, (1988). Ricardian Equivalence theory is an economic concept proposed by British economist David Ricardo in the 19th century. The Ricardian group with its theory of Ricardian Equivalence (RE) argues that a budget deficit will not have any effect on a country's economy. This concept, known as the Ricardian Equivalence Hypothesis (REH), became an interesting debate in the academic world. This theory originated from David Ricardo's Funding System and was restated by Barro (1974) so it is often named the Ricardo-Barro Preposition. According to the Ricardian understanding, external debt policy to finance government budget deficits will have no impact on economic growth. This is because the effect of government spending growth funded by public debt must be paid by the government in the future through tax increases. Therefore, people will reduce consumption in the present to increase savings that will be used to pay for future tax increases.

Keynesian Theory

Keynesian economic theory, studied by Eisner, (1989) dan Bernheim, (1989) put forward a different view. In the Keynesian view, a policy of increased budgetary expenditure funded through external debt will have a significant influence on economic growth due to an increase in aggregate demand which is a knock-on effect of capital accumulation.

Keynesians believe that government budget deficits covered by external debt will increase income and welfare so that the increase in income will boost consumption levels. This leads to a lighter tax burden in the present, which in turn will lead to an increase in revenue that can be used for spending. An increase in national income will boost economic growth. Therefore, overall, the policy of covering budget deficits with external debt in the short term is considered favorable for the economy because it will support economic growth, based on the Keynesian economic view. . Keynesians argue that a deficit budget policy will affect national income only through changes in the supply of factors of production (Elmendorf & Mankiw, 1998).

Economic Growth

An important indicator to evaluate the state of a country's economy is economic growth, which is a crucial factor in the country's development. Economic growth is one of the most important factors in analyzing a country's economic development (Mankiw et al., 2012). Economic growth is progress in economic activity that results in an increase in goods and services produced in society, as well as improving people's welfare in the long term (Untoro, 2010).

a) Neoclassical Theory

The Neoclassical theory is also called the Solow-Swan economic growth model and was first introduced by Adam Smith and restated by Robert Solow san T.W.Swan. This theory states three main factors that influence economic growth, namely capital, labor, and technological development. Neoclassical theory assumes that an increase in the number of workers can increase per-capita income.

b) Classical Theory

Classical theory has developed since the 18th century, put forward by Adam Smith. Adam Smith suggested that a country's economy would reach its highest point when using a liberal system consisting of two main components, namely population growth and output.

The concept was later refuted by David Ricardo who stated that population growth does not have a positive impact on a country's economic growth but only increases labor so that it has an impact on the decline in workers' wages. Classical economic theory emerged because of the weaknesses and shortcomings of previous economic theories.

c) Historical Theory

The Historical Theory was developed by many economists, such as Karl Bucher, Werner Sombart, and Frederich List, who had different views but focused on the economic activities of society. Karl argued that the relationship between producers and consumers affects the growth of the country, which in itself occurs in communities, cities, and the entire world. Meanwhile, according to Werner Sombart, the classification of society in economic growth from the closed economy stage, industrial growth, to the capitalist stage (Leasiwal, 2022).

Budget Deficit

Indonesia has implemented fiscal policy, namely with a budget deficit (a condition where spending is greater than revenue). With the stimulus of fiscal policy in the form of a budget deficit, it is expected to increase national income and create jobs. From the revenue side, national income comes from increased consumption, increased investment, increased government spending, increased exports and decreased imports. Meanwhile, from the supply side, national income comes from increased production as a result of technological advances and the availability of economic resources (resouces) (Anwar, 2014).

A budget deficit is a budget that is planned to be deficit, because government expenditure is planned to be greater than government revenue (G > T). Deficit budgeting is pursued when the government wants to stimulate economic growth. Budget deficit is the term used to describe the condition of the state budget when the amount of expenditure exceeds the amount of revenue.

External Debt

According to Government Regulation of the Republic of Indonesia Number 10 of 2011 concerning Procedures for Procuring External Loans and Receiving Grants, External Loans are any financing through debt obtained by the Government from External Lenders which are bound by a loan agreement and are not in the form of state securities, which must be repaid with certain conditions (Peraturan Pemerintah Republik Indonesia, 2011).

External loans have advantages and disadvantages. Advantages can be obtained by a country from external loans such as being able to obtain the latest equipment and technology and invest in important projects that do not receive support from private companies, such as infrastructure (Shuaglin & Kim, 2001).

METHOD

Unit of Analysis, Population, and Sample
The objects chosen in this study are Budget Deficit, External Debt and Economic Growth in the country of Indonesia. The data used in this study are secondary data. Each variable uses data spanning 19 years, namely 2004 to 2022. The scope of this study is between 2004 and 2022 where variable X1 uses the Budget Deficit, variable X2 uses External Debt. Variable Y uses Economic Growth in the country of Indonesia.

Data Collection Technique

This type of research data is secondary data. Secondary data is data obtained by researchers as support from the main source. It can also refer to data arranged in the form of documents ((Sugiyono, 2015). According to Bungin, secondary data is data obtained from second sources or secondary sources of the required data (Bungin, 2006). Data collection is collected from organizations. Budget deficit data comes from the Ministry of Finance's Central Government Financial Statements (LKPP) (audited), Indonesian External Debt data comes from Bank Indonesia, and Indonesian Economic Growth data comes from the Central Bureau of Statistics.

This research uses quantitative methods. Quantitative method is a research approach based on the philosophy of positivism, which aims to test predetermined hypotheses by analyzing quantitative data from large populations or samples. In this method, the data used are numbers or numerical data which are then processed using statistical tools. Quantitative research is a research method used to gain knowledge by using data in the form of numbers as a means of finding information about something you want to know (Rahmadi, 2011).

Analysis Technique
Data analysis in this study is time series data. The data processing tool for this research uses the E-Views 9 application. The analysis technique used in this research is multiple linear regression analysis. Multiple linear regression analysis is used to test the hypothesis of the relationship between two or more independent variables together with a dependent variable.

Multiple Linear regression analysis

Researchers use multiple linear regression analysis to predict changes (increase / decrease) in the dependent variable using at least two independent variables (Sugiyono, 2022). The easy understanding is that multiple regression analysis is used to determine the dependence of the independent variable (X) on the dependent variable (Y). The effect contained in multiple regression is

the effect between X1 and X2 on variable Y, called multiple regression of Y on X1 and X2. The relationship between these variables is expressed in the equation:

$Y = α + β1X1 + β2X2 + e$

Description:
Y = Indonesian Economic Growth
A = Constant regression line
β = Slope / Regression Coefficient
X1 = Budget Deficit
X2 = Indonesian External Debt
e = Error

Descriptive Statistical Analysis

Descriptive statistical analysis refers to transforming and transforming raw data with the aim of describing and explaining the data so that it is easy to understand. Descriptive statistics are related to things that explain and describe data or conditions. Sugiyono (2004) states that this descriptive statistic is a statistic to test data through the method of describing or reflecting on the data that has been collected.

Classical Assumption Test
Normality Test

The normality test is a testing method used to determine whether data is normally distributed or not. If the probability value < α and the JB value> Chi Square Table value, then H0 which states that the residuals are normally distributed is rejected. If the probability value> α and the JB value < Chi Square Table value, it can be concluded that the assumption of normally distributed residuals is met (Ghozali & Ratmono, 2022).

Multicollinearity Test

Multicollinearity test is used to test whether the regression model finds a correlation between the independent variable and the dependent variable. A good regression model has no correlation between the independent variables tested. If the correlation value between variables is less than 0.80, there is no multicollinearity problem. Conversely, if the correlation value between variables is greater than 0.80, it can be said that there is a multicollinearity problem (Ghozali, 2017).

Heteroscedasticity Test

The Heteroscedasticity test aims to test whether there are differences between the residual variances of the observations. Good research is one that shows no evidence of heteroscedasticity. One method used to test for heteroscedasticity is the Glacier Test. If the probability value> 0.05 then there is no heteroscedasticity, so H0 is accepted (Ghozali, 2017).

Autocorrelation Test

According to Ghozali (2016), the autocorrelation test is used with the intention of knowing whether the regression model used has a correlation between confounding errors in the period of the year concerned and confounding errors in the previous year's period. So, this test will show errors based on time or space. In testing autocorrelation, you can use the Durbin Watsons (DW) test. In this test, it is said that there is no autocorrelation if the DW value> DU and (4-DW) > DU or it can also be denoted as follows: (4-DW) > DU < DW.

Hypothesis Test
Test t (Partial Test)
The t test is used to test the effect of the independent variable separately on the dependent variable. The significance value of the t test is 0.05. If the significance value <0.05, the H0 hypothesis is rejected, which means that there is an influence of the independent variable on the dependent variable. If the significance value> 0.05 then H0 is accepted, which means that there is no effect of the independent variable on the dependent variable. If tcount> ttable then H0 is rejected and H1 is accepted, which means that the independent variable has an effect on the dependent variable. If tcount < ttable then H0 is accepted and H1 is rejected, which means that the independent variable has no significant effect on the dependent variable (Ghozali et al., 2017).

Simultaneous Test (F Test)
The F test is used to test the feasibility of the regression model used. This F test is conducted to determine the independent variables simultaneously (together) affect the dependent variable. The significance value of the F test is 0.05. If the significance value <0.05, the H0 hypothesis is rejected, which means that there is a simultaneous influence of the independent variable on the dependent variable. If the significance value is> 0.05 then H0 is accepted which means that there is no simultaneous influence of the independent variable on the dependent variable. If Fcount> Ftable then H0 is rejected and H1 is accepted, which means that the independent variables simultaneously affect the dependent variable. If Fcount < Ftable then H0 is accepted and H1 is rejected, which means that the independent variables have no simultaneous effect on the dependent variable (Ghozali et al., 2017).

Coefficient of Determination (R2)
In multiple regression analysis, one of the methods used is Adjusted R-square. The purpose of this test is to measure the percentage of influence of the independent variable on the dependent variable. The coefficient of determination usually ranges between 0 and 1. If the R-square value is negative, it means that the independent variable has no effect on the dependent variable. Conversely, if the R-square value is close to one, it indicates that the influence of the independent variable on the dependent variable is stronger (Ghozali et al., 2017).

RESULT
Descriptive Analysis
Descriptive analysis is a statistical analysis method that has the aim of providing a description of the research subject based on variable data obtained from certain subject groups.

Table 4. 1 Descriptive Analysis

	Economic Growth	**Budget Deficit**	**External Debt**
Mean	4.96	246,480,531,098,189	263,363,221,49
Median	5.10	210,313,914,999,781	260,946,189,85
Maximum	6.50	1,003,534,813,438,120	423,351,482,07
Minimum	(2.07)	920,386,970,153	123,832,084,17
Std. Dev.	1.74	255,397,191,792,561	102,503,972,88

Source: Eviews 12 processing results by researchers

Based on the results of descriptive statistical analysis in table 4.1, it can be stated that in the observation period the budget deficit variable shows an average or mean value of IDR 246,000,000,000,000, a maximum value of IDR 1,003 trillion obtained in the fourth quarter of 2020, a minimum value of IDR 920 trillion obtained in the first quarter of 2008 and a standard deviation value of IDR 255 trillion.

Based on table 4.1, it can be stated that the observation period for the foreign debt variable shows an average (mean) value of US$ 263 billion, a maximum value of US$ 423 billion obtained in the third quarter of 2021, while the minimum foreign debt value is US$ 123 billion in the third quarter of 2006 and a standard deviation value of US$ 102 billion.
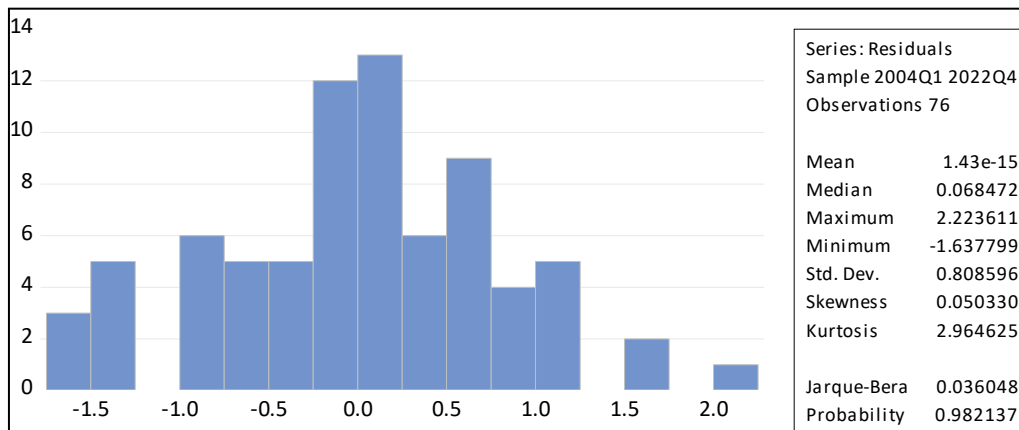
Based on table 4.1, it can be stated that during the observation period the economic growth variable showed an average (mean) value of IDR 4.96%. The maximum economic growth value was 6.50% in the third quarter of 2007 while the minimum economic growth value of -2.07% was obtained in the fourth quarter of 2020. The standard deviation on the economic growth variable shows that the amount of variation is 1.74%.

Classical Assumption Test
Normality Test
The normality test is carried out as a prerequisite for conducting data analysis. The normality test is needed to test variables by assuming that the residual value is normally distributed. To see the results of the normality test, this study used the Jarque-Bera test. The following is table 4.2 showing the results of the normality test in this study.

Table 4. 2 Normality Test

Series: Residuals	
Sample 2004Q1 2022Q4	
Observations 76	
Mean	1.43e-15
Median	0.068472
Maximum	2.223611
Minimum	-1.637799
Std. Dev.	0.808596
Skewness	0.050330
Kurtosis	2.964625
Jarque-Bera	0.036048
Probability	0.982137

Source: Eviews 12 processing results by researchers

In Figure 4.1 it can be seen that the Jarque-Bera value is 0.036048 and the probability value is 0.982137. So it can be concluded that it is normally distributed in this study because the probability is 0.436368 > 0.05.

Multicollinearity Test

Table 4. 3 Multicollinearity Tests

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	0.116452	13.17525	NA
X1	4.98E-31	7.051659	3.627748
X2	3.09E-24	27.89487	3.627748

Source: Eviews 12 processing results by researchers

Based on the test output, it shows that the correlation between independent variables by looking at the VIF value is less than 10 or the tolerance value is more than 0.01. So it can be concluded that there is no multicollinearity problem in the regression model.

Heteroscedasticity Test

The heteroscedasticity test is carried out to detect whether there is an inequality in the variance of the residuals for all observations in each regression model. The probability level used is if the result is > 0.05, it indicates there is no heteroscedasticity problem. The test results are as follows:

TABEL 4. 1 UJI HETEROKEDASTISITAS

Heteroskedasticity Test: Breusch-Pagan-Godfrey
Null hypothesis: Homoskedasticity

F-statistic	0.746100	Prob. F(9,66)	0.6655
Obs*R-squared	7.018261	Prob. Chi-Square(9)	0.6352
Scaled explained SS	5.284529	Prob. Chi-Square(9)	0.8088

Source: Eviews 12 processing results by researchers

Based on the test output obtained, the p value is indicated by the Prob value. chi square(2) on Obs*R-squared is 7.018261. Because the chi squares probability value is 0.6352 > 0.05, the regression model does not have the problem of assuming non-heteroscedasticity.

Autocorrelation Test
Autocorrelation is a correlation problem between one disturbance variable and another disturbance variable. Meanwhile, one of the important assumptions in OLS relating to disturbance variables is that there is no relationship between one variable and other disturbance variables. To test whether there is an autocorrelation problem, the Breusch-Godfrey Method (LM Test) can be used. Breusch Godfrey Method (LM Test). The Breusch Godfrey Method (LM Test) is carried out by carrying out residual regression with independent variables. If there is more than one independent variable, then all independent variables must be included. If the calculated chi square value (χ2), namely nR2, is greater than the critical value of chi squares (χ2) with a certain degree of confidence (α), then an autocorrelation problem occurs, and if the calculated chi square value (χ2), namely nR2, is smaller than the value (χ2) critical with a certain degree of confidence (α) can indicate the absence of autocorrelation problems.

TABLE 4. 5 AUTOCORRELATION TESTS

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	1.382477	Prob. F(2,70)	0.2577
Obs*R-squared	2.849881	Prob. Chi-Square(2)	0.2405

Source: Eviews 12 processing results by researchers

From these results it can be seen that the value of prob. Chi squares 0.2405 > 0.05, it can be stated that there is no autocorrelation problem.

1. **Hypothesis Testing**

TABLE 4. 6 HYPOTHESIS TESTS

Dependent Variable: Y
Method: Least Squares
Date: 01/04/24   Time: 18:50
Sample: 2004Q1 2022Q4
Included observations: 76

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	4.187394	0.341251	12.27072	0.0000
X1	-9.54E-15	7.06E-16	-13.51041	0.0000
X2	1.19E-11	1.76E-12	6.750714	0.0000
R-squared	0.783579	Mean dependent var		4.963553
Adjusted R-squared	0.777650	S.D. dependent var		1.738131
S.E. of regression	0.819598	Akaike info criterion		2.478668
Sum squared resid	49.03711	Schwarz criterion		2.570671
Log likelihood	-91.18940	Hannan-Quinn criter.		2.515437
F-statistic	132.1532	Durbin-Watson stat		0.738596
Prob(F-statistic)	0.000000			

Source: Eviews 12 processing results by researchers

a) **Partial Test (t Test)**
   1. The results of the t test on the budget deficit variable (X1) obtained a t-statistic value of -13.51041 and Prob. (significance) of 0.0000 < 0.05. So H1 is accepted and H0 is rejected, meaning that the budget deficit variable (X1) has a significant effect on the economic growth variable (Y).
   2. The results of the t test on the foreign debt variable (X2) obtained a t-statistic value of 6.750714 and Prob. (significance) of 0.0000 < 0.05. So H1 is accepted and H0 is rejected, meaning that the foreign debt variable (X2) has a significant effect on the economic growth variable (Y).

b) **Simultaneous Test (F Test)**

In table 4.6, the significance value is 0.000000 < 0.05, so H0 is rejected and H1 is accepted, meaning that simultaneously all independent variables have a significant effect on the dependent variable.

c) **Coefficient of Determination Determinasi (R^2)**

If the value of the coefficient of determination (R2) is closer to number one, it means that the ability of the independent variable to explain the dependent variable is getting better. On the other hand, if the value of the coefficient of determination (R2) is getting closer to zero, it means that the ability of the independent variable to explain the dependent variable is not good. Based on table 4.6 above, the adjusted R-squared value is 0.777650 or 77.76%. The coefficient of determination value shows that the independent variables consisting of the budget deficit and foreign debt are able to explain the Indonesian economic growth variable by 77.76%, while the remaining 22.24% is explained by other variables not included in this research model.

DISCUSSION

1) The Effect of Budget Deficit on Economic Growth

Based on the test results presented in table 4.6, it can be seen that there is a negative and significant relationship between the budget deficit variable and economic growth. The results of the partial test (t test) between the budget deficit and economic growth variables show a t value of -13.51041 and a probability value of 0.0000 which is smaller than 0.05.

This is in accordance with the phenomenon that a budget deficit financed by foreign debt to finance state spending will have an effect on economic growth. Empirical research shows that there is a non-linear relationship between the budget deficit and economic growth in Indonesia, and using the Hansen threshold regression model, the estimated threshold value for the budget deficit is 3% of GDP.

2) The Effect of Foreign Debt on Economic Growth

Based on the test results presented in table 4.6, it can be seen that there is a positive and significant relationship between the foreign debt variable and economic growth. The results of the partial test (t test) between the foreign debt variable and economic growth show a t value of 6.750714 and a probability of 0.0000 which is less than 0.05.

Based on the research results, there is support for the statement that "foreign debt has a significant positive effect on economic growth." A number of studies show that foreign debt has a significant positive impact on economic growth. However, it is important to remember that the benefits of foreign debt also need to be seen from various angles, including its negative impacts such as increasing the burden of debt payments and dependence on external sources of financing. Therefore, while external debt can provide an initial boost to economic growth, it needs to be managed carefully to manage the associated risks.

3) The Effect of Budget Deficit and Foreign Debt on Economic Growth

Based on the test results presented in table 4.6, it can be seen that there is a significant relationship between the budget deficit and foreign debt variables on economic growth. The results of the simultaneous test (F test) of the budget deficit and foreign debt variables on economic growth show an F value of 132.1532 and a probability of 0.0000 which is less than 0.05.

The results of tests carried out by researchers shown in table 4.6 show that the coefficient of determination (R2) is 0.777650 with a probability of 0.000000. These results show that the ability of

the Budget Deficit and Foreign Debt variables has a contribution of 77.76%. This coefficient value proves that there is a significant joint influence of the Budget Deficit and Foreign Debt on Economic Growth in Indonesia. This shows that the test results carried out by the researcher are in accordance with the theory previously explained.

CONCLUSION

Based on the discussion presented in the previous chapter, the conclusions in this research are as follows:

1. The budget deficit has a negative effect on economic growth. This means that if the budget deficit increases, it can be said that economic growth will decrease.

2. Foreign debt has a positive effect on economic growth. This means that if foreign debt increases, it can be said that economic growth will also increase.

3. The research results show simultaneously or together that the economic growth variable can be explained by the independent variable consisting of the budget deficit and foreign debt of 77.76%. partially, there are two variables that have a significant effect on economic growth.

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