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Analysis The Effect Of Corruption On Economic Growth In Indonesia

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Abstract

Every country including Indonesia seeks to carry out development in various fields to achieve rapid economic growth. Not only influenced by factors such as inflation and foreign direct investment which will also be discussed, economic growth is also influenced by institutional factors (institutions) which can be measured using indicators of the level of corruption which is believed to have an impact on economic performance. The view on the relationship between corruption and economic growth is still debated, giving rise to two different views known as "Grease of the Wheels" and "Sand of the Wheels". If corruption has a positive impact, then corruption encourages economic growth (Grease of the Wheels), but if corruption hinders and harms, then corruption has a negative impact (sand of the wheels). This study uses a type of quantitative research with the Autoregressive Distributed Lag (ARDL) method in the form of time series data with a research time span from 1996 to 2022. The results showed that in the short term, corruption variables have a positive and significant effect on economic growth in Indonesia. While in the long run, corruption variables have a negative and significant effect on economic growth in Indonesia. Inflation variables in the short term have a negative and significant effect on lag 0 and positive and significant in lags 1, 2 and 3 on economic growth in Indonesia. While in the long run, the inflation variable has a negative and significant effect on economic growth in Indonesia. Foreign direct investment variable in the short term has a negative and significant effect on economic growth in Indonesia. While in the long run, the variable foreign direct investment (Foreign Direct Invesment) has a positive and significant effect at the 10% significance level on economic growth in Indonesia.

Keywords: corruption; inflation; foreign direct investment; economic growth; ARDL.

1. Introduction

Economic growth is one measure of the success of a country's economic development. If economic growth increases, this indicates that one of the indicators of economic development is showing positive developments. In other words, an increase in economic growth reflects the progress of a country's economic development as measured by the increase in the production of goods and services using indicators such as Gross Domestic Product (GDP).

According to Mankiw, Gross Domestic Product (GDP) is the market value of all final goods and services produced in the economy during a certain period of time [1]. Economic growth occurs when the percentage of GDP in a certain period increases compared to the previous period. However, the reality of increasing economic growth is not simple. Not only influenced by factors such as investment, natural resources or government spending, economic growth is also influenced by institutional and environmental factors. Every country, including Indonesia, seeks development in various fields to achieve rapid economic growth. This is done with the aim of becoming a developed country and creating prosperity and income equality for the community in order to create social justice.

Based on the table, the annual Gross Domestic Product (GDP) growth rate of Indonesia fluctuates. In 2017 - 2019, growth was relatively stable. However, in 2020, due to the Covid-19 pandemic, it caused a drastic decline to -2.1 percent. In 2021 and 2022, there was a positive increase as Covid-19 cases decreased in Indonesia. Measuring the institutional quality of a country can be done by using an indicator of the level of corruption, which is believed to have an impact on economic performance. Corruption reflects the existence of deviant things that occur in the management of the state and will damage the economic development of a country [2]. According to Transparency International (TI), since the corruption perception index (CPI) was launched in 1995, Indonesia has become one of the countries whose corruption situation is monitored regularly. According to Transparency

International's 2022 data, Indonesia is the 5th most corrupt country in Southeast Asia. In view of this, Indonesia continues to make efforts to eradicate corruption and tighten penalties for perpetrators, but corruption cases still occur as seen from the arrest operations carried out.

Table 1. Indonesia's GDP Growth Rate 2017 – 2022

Year	PDB(%)
2017	5.10
2018	5.20
2019	5
2020	-2.1
2021	3.7
2022	5.3

Source: World Bank

Table 2. Indonesia Corruption Perception Index 2017 – 2022

Year	KOR
2017	37
2018	38
2019	40
2020	37
2021	38
2022	34

Source: Transparency International

Based on the data in the table, it shows that the corruption perception index in Indonesia has increased quite high in the period 2017-2022. The decline in the level of corruption only occurred in 2018, 2019 and 2021, while in 2020 and 2022 there was an increase. Indonesia's low corruption perception index reflects that corruption cases are still rampant and if there is no countermeasure policy, this raises concerns.

The view of the relationship between corruption and economic growth is still debatable, giving rise to two different views known as "Grease of the Wheels" and "Sand of the Wheels". According to Méon and Sekkat, if corruption has a positive impact on the economy, then corruption promotes economic growth (Grease of the Wheels), but if corruption hinders and harms the economy, then corruption has a negative impact (sand of the wheels). Empirical results that have been conducted by several researchers regarding the effect of corruption on economic growth are still questionable and contradictory [3]. Therefore, this study will contribute to finding the latest results on the relationship between corruption and economic growth with a focus on Indonesia, which still has a tendency for corruption.

A country's economic growth is not only influenced by corruption but also other important factors. At the macro level, one of the drivers of economic growth is inflation and investment. Inflation is a phenomenon where prices of goods and services rise across the economy over time. Bank Indonesia states that controlling low and stable inflation is essential for sustainable economic growth and improving people's welfare, as high and unstable inflation is detrimental to socio-economic conditions. In addition to inflation, foreign direct investment also has an impact on economic growth. Belloumi asserts that FDI inflows play an important role in increasing the supply of funds for domestic investment in the host country [4].

2. Literature Review

2.1. Economic Growth (GDP)

Economic growth is one of the most important benchmarks in analyzing the development of economic development in a country. Therefore, economic growth is one of the main and vital indicators in conducting studies and evaluations of economic development in a country. According to Case, Fair & Oster, economic growth is an increase in the total production of goods and services in an economy represented by Gross Domestic Product [5]. According to Jhingan, the process of economic growth is determined by two types of factors, namely economic and non-economic factors [6]. Economic growth depends on economic factors such as natural resources, human resources, capital, companies, technology, and others. While non-economic factors that influence economic growth are social institutions, political conditions, and moral values in a country.

2.2. Corruption

Corruption comes from the Latin word 'corruptio' which means destruction, dishonesty, bribery. According to Transparency International, corruption is the abuse of entrusted public office (power) for personal gain. Transparency International also adds

that this corruption erodes trust, weakens democracy, hampers economic development and further exacerbates inequality, poverty, social divisions and environmental crises.

2.3. Relationship between Corruption and Economic Growth

In addition, there is also a difference of opinion through the consequences of corruption from one country to another. Méon and Sekkat state that corruption can have both positive (grease of the wheels) and negative (sand of the wheels) impacts on a country's economy. Leff is a well-known scholar who supports the positive role of corruption on economic development. In this regard, he states that corruption can aid development by allowing higher levels of investment than would otherwise be the case. His argument is based on the notion that corruption can reduce uncertainty in the market and, therefore, lead to investment and development. Through corruption, investors have the assurance that the state will not negatively intervene in their affairs in the future. Leff also states that corruption can encourage innovation, introduce an element of competition and act as a safeguard against bad public policies. According to Leff, uncertainty arises from the extensive role of government in the economy, from the personal and irrational style of decision-making and the frequent turnover of government personnel and policies [7].

Conversely, if corruption hinders and harms the economy, then corruption has a negative impact and becomes a hindrance to the wheels of the economy (sand of the wheels). This view of corruption having a negative impact is reinforced by an econometric analysis conducted by Mauro who found that corruption inhibits growth, reduces public investment, and deteriorates physical infrastructure [8].

2.4. Relationship between Inflation and Economic Growth

The relationship between inflation and economic growth is one of the most debated topics in economic history. Monetarists argue that price stability is the basis for balance of payments and economic growth. They argue that inflation as the main factor causing instability can reduce the incentive to work and produce, disrupt the efficient allocation of markets, weaken the international competitiveness of domestic industries, and reduce the growth potential of the economy.

Meanwhile, non-monetarists classify into two views, namely the structuralists and Keynes. Structuralists state that inflation can be caused by structural phenomena (Structuralist Theory) so that an economy that is unable to anticipate rapid economic development and causes the growth of goods production is not as fast as the increase in public demand then, the price of goods and services will increase. Keynesian argues that inflation arises when aggregate demand for goods and services exceeds aggregate supply at full employment or exceeds potential output.

2.5. Relationship between Foreign Direct Investment and Economic Growth

Foreign direct investment (FDI) is important for the external financing of both developing and developed countries. Its impact is significant across sectors and includes increased production, exports and employment, improved living standards and poverty reduction, inflation, which ultimately leads to economic growth. Solow and endogenous growth theories underline that FDI can promote economic growth in capital-scarce economies by increasing the volume and efficiency of physical investment [9]. Although FDI has a positive impact on the host country's economy, Appleyard & Field also warn that the FDI process needs to be supervised and controlled by the government. Without supervision, it is feared that this investment will only benefit a few parties and thus burden the economy [10].

3. Method

The object of research was conducted in the country of Indonesia using secondary data. This study uses data in the form of time series data with a research time span from 1996 to 2022. The scope of this study includes a discussion of three independent variables, namely corruption, inflation, foreign direct investment, while the dependent variable is economic growth as assessed by gross domestic product. The data used is obtained from the official website of the World Bank for data on Gross Domestic Product, inflation, foreign direct investment. Transparency International for corruption perception index data.

The data analysis technique used is the Autoregressive Distributed Lag (ARDL) method and the data is processed using the EViews 10 software application. This method is used to determine the quantitative effect of corruption (X1), inflation (X2), foreign direct investment (X3) on economic growth represented by the level of Gross Domestic Product (Y) with a function that can be expressed in the form of the following equation:

$$PDB_t = \beta_0 + \beta_1\,KOR_t + \beta_2\,INF_t + \beta_3\,FDI_t + e_t$$

Then this model equation can be written as follows:

$$PDB = \alpha_0 + \alpha_{1i}\sum_{i=1}^{n}\Delta PDB_{t-1} + \alpha_{2i}\sum_{i=1}^{n}\Delta KOR_{t-1} + \alpha_{3i}\sum_{i=1}^{n}\Delta INF_{t-1} + \alpha_{4i}\sum_{i=1}^{n}\Delta FDI_{t-1} + \beta_1\,KOR_t + \beta_2\,INF_t + \beta_3\,FDI_t + e_t$$

Descriptions:

Δ	: Lag
GDP	: Gross Domestic Product (%)

KOR   : Corruption (index)
INF   : Inflation (%)
FDI   : Foreign Direct Invesment (%)
$\alpha 1i, \alpha 2i, \alpha 3i$: Short-run dynamic relationship model
$\beta 1, \beta 2, \beta 3$: Long-term dynamic relationship model
e : Error Term

In using the ARDL method, the stages used are as follows:
- Stationarity Test
  In order to avoid the problem of skewed regression, what must be done is to convert non-stationary data into stationary data. The stationarity test can be done with a unit root test to determine whether a variable is stationary or not at the I(0) or I(1) level and not I(2) to avoid erroneous results.
- Optimun Lag Test
  The next test conducted after the stationary test is the lag optimum test. Determining the optimal lag length is determining the length of time a variable is affected by past variables and other endogenous variables. In this study, in determining the optimal lag length, the Akaike Information Criterion (AIC) criterion is used as a criterion for determining the maximum lag length (k).
- Bound Test Cointegration Test
  The cointegration test is conducted to test whether there is a long-term relationship or long-term balance (cointegration) between the variables used in the study. The bound test decision making is done by comparing the calculated F-statistic value with its critical value, namely the lower bound I (0) and upper bound I (1). If the F-statistic value is below the lower bound I (0), it can be conclude.
- Model Stability Test
  The model stability test using the Cumulative of Sum (CUSUM) and Cumulative of Sum squares (CUSUMsq) test aims to check the stability in short-term and long-term coefficients based on the cumulative value of the number of recursive residuals which are then plotted in the form of a 5% critical line. If the cumulative value of the recursive residual is inside the line, this indicates the stability.
- Short and Long Term Coefficient Estimation Test
  This test aims to determine the speed of short-term balance adjustment to the long term. Testing the ARDL short-term coefficient estimation is done with ECM (Error Correction Model) by looking at the value of the error correction term (ECT) or CointEq. If the Error Correcting Term (ECT) or Cointegration (CointEq) value shows a negative value, it indicates its validity and its ability to indicate the existence of an equilibrium between variables. Meanwhile, the estimation of long-term coefficients can be done if there is a cointegration relationship between variables.

4. Results and Discussion

The stationary test in this study uses the Augmented Dickey Fuller (ADF) Test method which is seen from the probability value. If the alpha value is less than 5%, then there is no unit root which means the data is stationary. Conversely, if the alpha value is more than 5%, then the data has a unit root which means the data is not stationary. The following are the results of the unit root test:

Table 3. Result of Stationarity Test

Variable	Statistic	Prob
Economic Growth (PDB)	-4.132920	0.0037
Corruption (KOR)	-3.739233	0.0097
Inflation (INF)	-3.901647	0.0064
Foreign Direct Invesment (FDI)	-4.818625	0.0007

Source: E-views processed

From the stationary test results with the unit root test in table 3, it can be seen that the economic growth variable (GDP) as Y and the Inflation variable (INF) as X2 are stationary at the level level. Then, the Corruption variable (KOR) as X1 and the Foreign Direct Investment variable (FDI) as X3 are stationary at the first difference level. When viewed from the results of the stationarity test with the unit root test, it can be concluded that this study has variables with different levels of stationarity, so the ARDL (Autoregressive Distributed Lag) model is the right model to test this research. The optimum lag test in this study uses the Akaike Information Criterion (AIC) criterion. The following are the results of the lag optimum test:
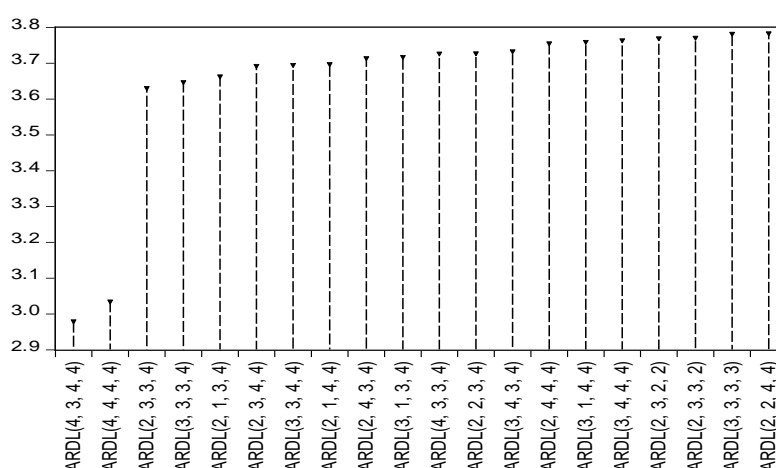
FIgure 1. Result of Optimun Lag Test
Source: Data processing by the author

The model that fits the ARDL method for this study is the Akaike Information Criterion (AIC) which has the smallest error value of the other ARDL models, namely the ARDL (4,3,4,4) model. Where for the dependent variable is economic growth represented by Gross Domestic Product (Y) with 4 lags, while for the dependent variable is corruption (X1) with 3 lags, inflation (X2) with 4 lags and foreign direct investment (FDI) (X3) with 4 lags. The cointegration test is conducted to see if there is a long-term relationship or long-term balance (cointegration) between the variables used in this study using the Bound Test. The following are the results of the cointegration test:

Table 4. Result of Bound Test Cointegration Test

Statistic	I(0) Lower bound	I(1) Upper bound	Decision
4.506564	2.79	3.67	Cointegration exists

Source: Data processing by the author

From the results of the cointegration test with the bound test method in the table, it can be seen that the F-statistic results are above the upper bound I (1) at a significant 5%, which is 4.506564, so it can be concluded that the variables used in this study have cointegration or there is a long-term equilibrium relationship. The model stability test using the Cumulative of Sum (CUSUM) and Cumulative of Sum squares (CUSUMsq) test aims to see stability in short-term and long-term coefficients. The following are the results of the stability test:
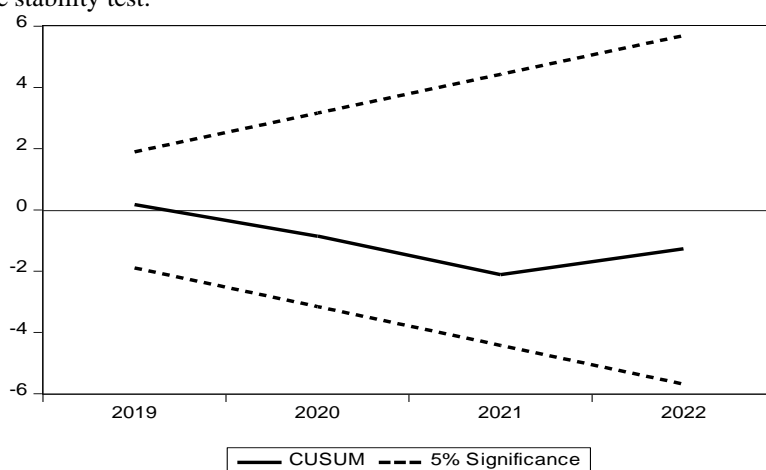

Figure 2. Result of CUSUM Test
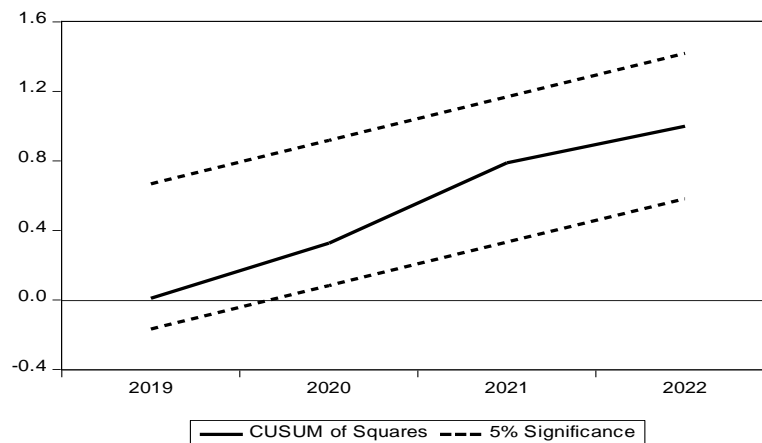Source: Data processing by the author

Figure 3. Result of CUSUMsq Test
Source: Data processing by the author

From the results of the model stability test using the Cumulative of Sum (CUSUM) and Cumulative of Sum squares (CUSUMsq) tests, it can be seen that this research model is in a stable state because the line is between the red lines or does not cross the upper and lower limits of the red line with a significant 5%. ARDL short-term estimation testing is done with ECM (Error Correction Model) by analyzing the error correction term (ECT) or CointEq. The estimation results for the short term can be seen in table below:

Table 5. Result of Short-Term Estimation

Variable	Coefficient	Std. Error	t-Statistic	Prob
D(PDB(-1))	3.398129	0.543375	6.253749	0.0033
D(PDB(-2))	2.207379	0.440983	5.005591	0.0075
D(PDB(-3))	1.306185	0.320467	4.075882	0.0151
D(KOR)	1.203522	0.164657	7.309259	0.0019
D(KOR(-1))	1.561113	0.393591	3.966337	0.0166
D(KOR(-2))	1.096171	0.212244	5.164675	0.0067
D(INF)	-0.392403	0.102024	-3.846167	0.0184
D(INF(-1))	1.303714	0.223977	5.820747	0.0043
D(INF(-2))	1.026623	0.201961	5.083266	0.0071
D(INF(-3))	0.495608	0.133019	3.725844	0.0204
D(FDI)	0.838507	0.324646	2.582832	0.0611
D(FDI(-1))	-2.574314	0.364483	-7.062918	0.0021
D(FDI(-2))	-2.387393	0.524646	-4.550481	0.0104
D(FDI(-3))	-1.728135	0.406626	-4.249935	0.0132
CointEq(-1)*	-4.538372	0.676048	-6.713095	0.0026

Source: Data processing by the author

Based on the ARDL estimation in the short term above, it can be described as follows:

- Corruption (KOR)
  Based on the table, the probability value of the KOR variable is smaller than the 5% significance level (α), which is 0.0019 < 0.05 with a coefficient value of 1.203522. This shows that the corruption variable has a positive and significant effect on economic growth in Indonesia in the short term. So it can be concluded that if there is an increase in the corruption perception index (representing a decrease in corruption), economic growth in Indonesia will increase by 1.203522. Based on the table, the probability value of the KOR (-1) variable is smaller than the 5% significance level (α), which is 0.0166 < 0.05 with a coefficient value of 1.561113. This shows that the corruption variable has a positive and significant effect on economic growth in Indonesia. So it can be concluded that if there is an increase in the corruption perception index (describing a decrease in corruption), economic growth in Indonesia will increase by 1.561113. Based on the table, the probability value of the KOR variable (-2) is smaller than the 5% significance level (α), which is 0.0067 < 0.05 with a coefficient value of 1.096171. This shows that the corruption variable has a positive and significant effect on economic growth in Indonesia. So it can be concluded that if there is an increase in the corruption perception index (describing a decrease in corruption), economic growth in Indonesia will increase by 1.096171.

- Inflation (INF)

  Based on the table, the probability value of the INF variable is -0.392403 which is smaller than the significance level (α) of 5%, which is 0.0184 < 0.05 with a coefficient value of -0.392403. This shows that the INF variable has a negative and significant effect on economic growth in Indonesia. So it can be concluded that if there is a one unit increase in INF, then economic growth in Indonesia will decrease by -0.392403. Based on the table, the probability value of the INF (-1) variable is smaller than the 5% significance level (α), which is 0.0043 <0.05 with a coefficient value of 1.303714. This shows that the inflation variable has a positive and significant effect on economic growth in Indonesia. So it can be concluded that if there is a one unit decrease in inflation, economic growth in Indonesia will increase by 1.303714. Based on the table, the probability value of the INF (-2) variable is smaller than the 5% significance level (α), which is 0.0071 <0.05 with a coefficient value of 1.026623. This shows that the inflation variable has a positive and significant effect on economic growth in Indonesia. So it can be concluded that if there is a one unit decrease in inflation, economic growth in Indonesia will increase by 1.026623. Based on the table, the probability value of the INF (-3) variable is smaller than the 5% significance level (α), which is 0.0204 <0.05 with a coefficient value of 0.495608. This shows that the inflation variable has a positive and significant effect on economic growth in Indonesia. So it can be concluded that if there is a one unit decrease in inflation, then economic growth in Indonesia will increase by 0.495608.

- Foreign Direct Investment (FDI)

  Based on the table, the probability value of the FDI variable (-1) is smaller than the 5% significance level (α), which is 0.0021 <0.05 with a coefficient value of -2.574314. This shows that the FDI variable has a negative and significant effect on economic growth in Indonesia. So it can be concluded that if there is a one unit increase in foreign direct investment, economic growth in Indonesia will decrease by -2.574314. Based on the table, the probability value of the FDI variable (-2) is smaller than the 5% significance level (α), which is 0.0104 <0.05 with a coefficient value of -2.387393. This shows that the FDI variable has a negative and significant effect on economic growth in Indonesia. So it can be concluded that if there is a one unit increase in foreign direct investment, economic growth in Indonesia will decrease by -2.387393. Based on the table, the probability value of the FDI variable (-3) is smaller than the 5% significance level (α), which is 0.0132 <0.05 with a coefficient value of -1.728135. This shows that the FDI variable has a negative and significant effect on economic growth in Indonesia. So it can be concluded that if there is a one unit increase in foreign direct investment, economic growth in Indonesia will decrease by -1.728135.

- Cointegration (CointEq)

  Based on the results of the ECT(-1) table has a probability of 0.0026 which is smaller than the alpha significance level of 5% (0.0026 < α = 0.05) with a coefficient value of -4.538372. So it can be concluded that the short-term equation model is valid.

  The estimation for the short-term ARDL has been carried out, then the estimation for the long-term model is carried out. The estimation results for the short term can be seen in table below:

Table 6. Result of Long-Term Estimation

Variable	Coefficient	Std. Error	t-Statistic	Prob
KOR	-0.196512	0.037197	-5.283080	0.0062
INF	-0.425214	0.072735	-5.846096	0.0043
FDI	0.511379	0.195130	2.620706	0.0588
C	12.35628	1.592064	7.761175	0.0015
EC = PDB - (-0.1965*KOR -0.4252*INF + 0.5114*FDI + 12.3563)				

Source: Data processing by the author

Based on the ARDL estimation in the long run above, it can be described as follows:

- The KOR variable shows a coefficient value of -0.196512 with a probability of 0.0062 which is smaller than the alpha significance level of 5% (0.0062 < α = 0.05). This shows that the KOR variable has a negative and significant effect on economic growth in Indonesia in the long term. So it can be concluded that if there is a one unit increase in corruption (decreasing corruption perception index), then economic growth in Indonesia will decrease by -0.196512.
- The INF variable shows a coefficient value of -0.425214 with a probability of 0.0043 which is greater than the alpha significance level of 5% (0.0043 < α = 0.05). This shows that the INF variable has a negative and significant effect on economic growth in Indonesia in the long term. So it can be concluded that if there is a one unit increase in inflation, economic growth in Indonesia will decrease by -0.425214.
- The FDI variable shows a coefficient value of 0.511379 with a probability of 0.0588 which is greater than the alpha significance level of 10% (0.0588 < α = 0.10). This shows that the FDI variable has a positive and significant effect on economic growth in Indonesia in the long term. So it can be concluded that if there is a one unit increase in foreign direct investment, then economic growth in Indonesia will increase by 0.511379.

Analysis of the Relationship Results of Independent Variables to Dependent Variables

- Analysis of the Effect of Corruption on Economic Growth in Indonesia

Based on the short-term regression results, it is found that there is a positive and significant effect of corruption variables on economic growth in Indonesia. This is in line with Leff, who supports the positive role of corruption on economic development. In this case, he states that corruption can help development by enabling higher levels of investment than would otherwise be the case. Leff also states that corruption can encourage innovation, introduce an element of competition and act as a safeguard against bad public policies. According to Leff, uncertainty arises from the extensive role of government in the economy, from the personal and irrational style of decision-making and the frequent turnover of government personnel and policies. While in the long term it is found that the corruption variable has a negative and significant effect on economic growth in Indonesia. This is in line with the view that if corruption hampers and harms the economy, then corruption has a negative impact and becomes an obstacle to the wheels of the economy (sand of the wheels). This view is reinforced by an econometric analysis conducted by Mauro, which found that corruption inhibits growth, reduces public investment, and deteriorates physical infrastructure. Mauro also added that the negative relationship between corruption and investment, as well as growth is highly significant both statistically and economically.

- Analysis of the Effect of Inflation on Economic Growth in Indonesia

Based on the short-term regression results, it is found that the inflation variable has a negative and significant effect at lag 0 and positive and significant at lags 1, 2 and 3 on economic growth in Indonesia. In the case of mild inflation, the results shown tend to be positive which means that inflation can improve economic welfare by increasing national income and stimulating economic activities such as employment, savings and investment. In contrast, extreme levels of inflation, as in the case of uncontrolled hyperinflation, have a very detrimental negative impact. It creates economic instability that hampers productivity and investment activities and leads to a decline in morale and limitations on the ability of individuals to bear the cost of living due to drastic price increases [11]. While in the long term, it is found that the inflation variable has a negative and significant effect on economic growth in Indonesia. The quantity theory of money states that the amount of money in circulation or the supply of money in the economy has a direct correlation to changes in the price level. So in this case the central bank, which oversees the money supply, has the highest control over the inflation rate. In addition, the non-monetarist theory, namely the structuralist theory or what can also be referred to as the long-term inflation theory, states that inflation occurs because of an imbalance in an economy. The factor that causes inflation comes from the structure of the economy that is unable to anticipate rapid economic development.

- Analysis of the Effect of Foreign Direct Investment on Economic Growth in Indonesia

Based on the short-term regression results, it is found that there is a negative and significant effect of the foreign direct investment (FDI) variable on economic growth in Indonesia. Thus, if the value of foreign direct investment (FDI) increases, economic growth will also decrease because it has a negative effect. This is in line with the opinion of Harrison which states that in the short term, FDI may have a negative impact on local companies by taking market share and reducing their capacity utilization rate. While in the long run it is found that the foreign direct investment (FDI) variable has a positive and significant effect at the 10% significance level on economic growth in Indonesia. This is in line with Solow and endogenous growth theories which underline that foreign direct investment (FDI) can encourage economic growth in a capital-scarce economy by increasing the volume and efficiency of physical investment.

5. Conclusion

Based on the results obtained, this study shows that in the short term, corruption variables have a positive and significant effect on economic growth in Indonesia. While in the long run, corruption variables have a negative and significant effect on economic growth in Indonesia. Inflation variables in the short term have a negative and significant effect on lag 0 and positive and significant in lags 1, 2 and 3 on economic growth in Indonesia. While in the long run, the inflation variable has a negative and significant effect on economic growth in Indonesia. Foreign direct investment variable in the short term has a negative and significant effect on economic growth in Indonesia. While in the long run, the variable foreign direct investment (Foreign Direct Invesment) has a positive and significant effect at the 10% significance level on economic growth in Indonesia.

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