

## The Effect of Monetary Variables on Economic Growth in Developing Countries in Asia



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**ABSTRACT:** This study aims to analyze and determine the Influence of Monetary Variables on the Economic Growth of Developing Countries in Asia in 2019-2023. This study uses a quantitative approach with secondary data. The analysis technique in this study uses panel data regression by selecting the Fixed Effect Model (FEM), Random Effect Model (REM), and Common Effect Model (CEM) approaches. The results of the study partially show that the Money Supply and Foreign Direct Investment (FDI) have a positive and significant effect on the Economic Growth of Developing Countries in Asia, this is in line with the theory that if there is an increase in the Money Supply and Foreign Direct Investment (FDI), it will increase the Economic Growth of Developing Countries in Asia. Interest rates partially have a positive and insignificant effect on the Economic Growth of Developing Countries in Asia. Inflation partially has a negative and insignificant effect on the Economic Growth of Developing Countries in Asia. The results of the study simultaneously show that the Money Supply, Interest Rates, Inflation and Foreign Direct Investment (FDI) have a positive and significant effect on the Economic Growth of Developing Countries in Asia.

**KEYWORDS:** Economic Growth, Money Supply, Interest Rate, Inflation, and Foreign Direct Investment

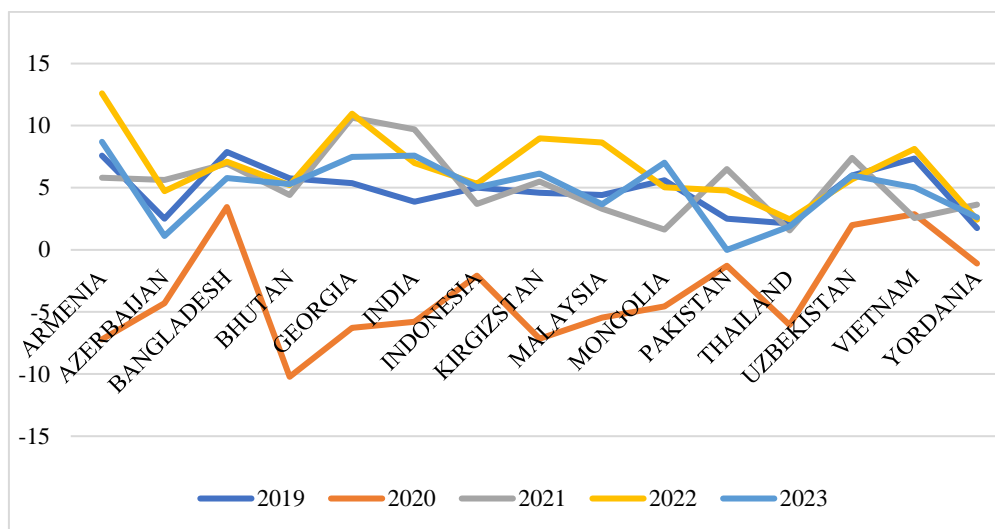
### I. INTRODUCTION

Every country expects the economy to experience continuous improvement because the main goal for a country to achieve high economic growth is to improve the welfare of its people for all countries, both developed and developing countries. Inclusive economic growth is one of the goals of sustainable development in the current focus of global development (Widianatasari and Purwanti, 2021). One of the regions with many developing countries is Asia. Asia must have the ability to build a united society to achieve common goals through activities in the fields of international trade, education, culture, and other fields to create a safe, peaceful region and uphold the hope for peace and security throughout the world. Asia is the continent with the largest population. (Moenardy and Alamsyah, 2023).

Economic growth is one of the parameters that determines the progress of a country. If its economic growth is stable, the country can be considered advanced, but if its growth declines, the country cannot be considered advanced (Mankiw, 2018). The economy of each country is different, there are countries that have good economies, and there are also countries that have less good economies (Salim, 2017). Economic growth is often measured using GDP (Gross Domestic Product), where GDP reflects economic performance. The state of the regional economy is not yet fully stable, this is due to external turmoil that can disrupt the stability of the country's economy, such as the crisis that has occurred in recent years (Ningsih et al., 2023).

The phenomenon of economic growth in 2020 has attracted a lot of public attention. This is due to the COVID-19 pandemic. Not only does it disrupt public health, but it also disrupts the national economy. The production, distribution, and other operations processes are significantly affected by the government's decision to implement Large-Scale Social Restrictions (PSBB) which disrupt economic performance (Rangkuty et al., 2023). An economic achievement that is considered ideal for developing countries is slightly more difficult to achieve financial stability and efficient economic growth. Developing countries often face difficulties in building a stable and inclusive financial system, because they have less capital and financial services (Andariyani, 2024). Most countries in Asia are countries that are in the early stages of development towards a modern economy that has the potential to become a center of the global economy. So that through this economic freedom index, it can support international competition by releasing existing obstacles to being at the forefront of progress and globalization (Suparyati and Fadilah, 2015).

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**Figure 1.1 Gross Domestic Product (GDP) of Developing Countries in Asia 2019-2023 (Percent)**

Source: World Bank, 2024

Figure 1.1 shows the movement of economic growth rates from 2019 to 2023 for developing countries in Asia using the GDP proxy in percent form. During this period, it shows that the Gross Domestic Product (GDP) of fifteen developing countries in Asia experienced fluctuations. The highest GDP occurred in Armenia in 2022 at 12.60 percent and the lowest occurred in Bhutan in 2020 at -10.22 percent. With the highest average GDP in Bangladesh at 6.23 percent and the lowest in Thailand at 0.4 percent. The government or monetary authority makes monetary policy to overcome economic problems and stabilize economic conditions to influence economic stability. To achieve this goal, monetary policy plays the most important role. The effectiveness of monetary policy in encouraging economic growth can be influenced by differences between developing and developed countries in terms of economic conditions, market structure and financial systems (Andariyani, 2024).

## II. LITERATUR RIVEW

### 1. Economic Growth Theory

The economic growth theories in this research are explained as follows:

#### A. Classical Growth Theory

According to classical economists, there are four components that can influence a country's economic growth: population, stock of capital goods, land area and natural resources, and the technology used. However, experts pay more attention to how population development affects economic growth. In this theory, there is a theory that explains the relationship between per capita income and population. This theory is called optimum population theory, and according to this perspective, marginal product will be greater than per capita income as long as population remains low (Sukirno, 2015).

#### B. Neo-Classical Growth Theory

In this theory the main factor influencing long-term growth is technological change, money replacing investment. The inflation factor is one of the exogenous factors that influences long-term growth (Lubis, 2017). The neo-classical view holds that interest rates and income determine how high the savings rate will be. The interest rate determines the level of investment at a given level of technology. Interest rates will fall and the desire to save will decrease if investment demand decreases. This shows that technological progress is one of the factors that drives an increase in national income (Fatmasari, 2015).

#### C. Harrod-Domar Growth Theory

This theory discusses the relationship between investment and economic growth, with the assumption that the level of investment depends on the level of economic growth (Idris, 2016). In general, this theory states that if a country's national income level is sufficient to absorb all labor at the wage level during a period, then economic growth will be limited during the following period because of the capacity to absorb more labor. Thus, to maintain economic growth, additional investment in capital is required to create new jobs and absorb the workforce currently available (Jhingan, 2016).

#### D. New Growth Theory

According to Dewi (2020), in this theory inflation will reduce the amount of profit, thereby reducing capital accumulation and as a result will reduce economic growth. One of the assumptions of new growth theory is that investments in human capital development, both in the public and private sectors, have the potential to produce external economic effects. In this way, productivity can increase beyond the natural tendency of decreasing results (Mankiw, 2018).

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## 2. Money Demand Theory

The supply of money is partly influenced by society as economic actors (participants) who need or ask for money, so that economists have discovered various theories of money demand as follows:

### A. Classical Money Demand Theory

The quantity theory of money was created simply by Irving Fisher. This theory is based on the Say's legal philosophy that the economy is always in a state of full employment. According to Irving Fisher's theory, every financial transaction or event in society is always in a state of balance. What is meant by balance is a situation where the money paid by the buyer is the same as the money received by the seller. Within a certain period of time, the value of the goods or services purchased must be equal to the value of the goods or services sold. (Sanjaya, 2019).

### B. Keynes' Theory of Money Demand

Keynes's theory of the demand for money differs from classical theory because of the problem of the function of money. Classical theory says that the function of money is as a medium of exchange, but Keynes said that the function of money is not only as a medium of exchange but also as a means of measuring value. This theory became known as the Liquidity Preference theory. Keynes divided the demand for money into three motives, namely transaction motives, precautionary motives and speculation motives (Sanjaya, 2019).

### C. The Theory of Money Demand After Keynes

Baumol's theory only discusses transactions, namely the optimal amount of cash needed by society. What is meant by "optimal" is the amount of cash and at the time required with the smallest costs. Holding cash requires costs, namely lost interest rates, because the money is not saved so it will not earn interest and broker fees. People must pay a sales fee (i.e. b rupiah per sale) if they frequently exchange their bonds in small amounts with the aim of increasing total income (T). In his theory, Tobin tries to show how the influence of risk on bond holding results in an individual's desire to hold money. In this case, individuals face the problem of uncertainty about future interest rates and bond values. Wealth owners will be faced with greater risks if expectations regarding asset acquisition are greater. This shows that higher interest rates will encourage wealth owners to demand or realize their wealth in the form of bonds, thereby reducing the amount of money demanded for speculation (Sanjaya, 2019).

### D. Modern Money Demand Theory

In this theory, Friedman links inflation and economic growth by equating the total amount of money spent with the total amount of money in the economy. Friedman proposed that the cause of inflation is that the amount of money in circulation or money supply is greater, the effect of which is due to economic growth. If the increase in the money supply grows at a faster rate than the growth rate of national income then inflation will become a problem. If the money supply increases in line with real output, inflation will not occur (Alifah and Sugiharti, 2022).

## III. RESEARCH METHODS

This research method is descriptive quantitative, which is a methodology based on secondary data examination and statistical analysis of numerical data through the use of research tools in order to test hypotheses. This research was conducted in developing countries in Asia with representatives from each region, namely the East Asian region of Mongolia; the West Asian region of Armenia, Azerbaijan, Georgia and Jordan; the South Asian region of Bangladesh, Bhutan, India and Pakistan; the Central Asian region of Kyrgyzstan and Uzbekistan; and the Southeast Asian region of Indonesia, Malaysia, Thailand and Vietnam. This study uses secondary data and panel data regression analysis tools. The data used in this study are sourced from publications and websites of the World Bank, Statista, Central Banks of Each Country as well as additional data sources such as journals, articles, and relevant literature.

Cross-section and time series panel data regression analysis are combined in this study. Information in a time series consists of at least one component that will be seen in one unit of perception during a predetermined period of time. While the cross section is simultaneous observation data from several observation units (Gujarati and Porter, 2015). The panel data estimation printing equation in this study is as follows:

$$PE_{it} = \alpha + \beta_1 JUB_{it} + \beta_2 SB_{it} + \beta_3 INF_{it} + B_4 INV_{it} + e_{it} \dots \dots \dots (1)$$

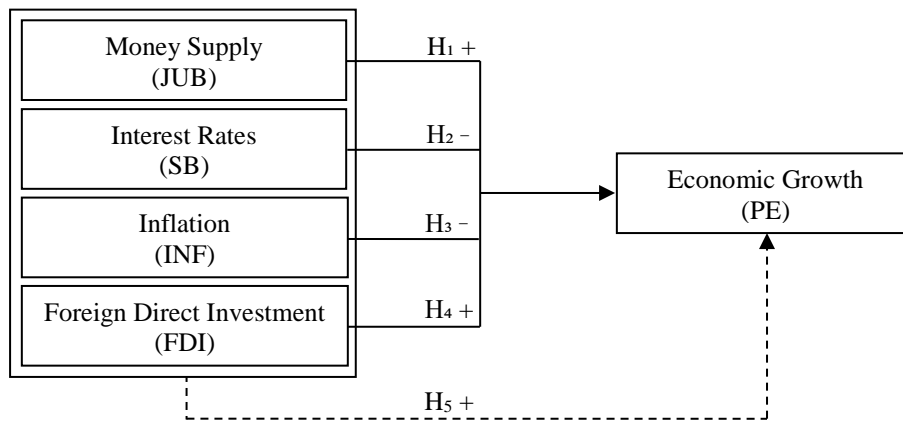
Description:

- $PE_{it}$  = Economic Growth
- $JUB_{it}$  = Money Supply
- $SB_{it}$  = Interest Rate
- $INF_{it}$  = Inflation
- $INV_{it}$  = Foreign Direct Investment
- $\alpha$  = Constant
- $\beta_1, \beta_2, \beta_3, \beta_4$  = Variable Coefficient Value
- $i$  = Data Cross-section (Fifteen Developing Asian Countries)
- $t$  = Time Series Data (2019-2023)

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eit = individual error (i) and time (t)

The framework of thinking in this research is as follows:



Information:

————▶ : Relationships that influence partially

-----▶ : Relationships that influence simultaneously

**Figure 3.1 Framework**

Source: Processed by researchers, 2024

Based on Figure 3.1, it can be seen that the dependent (bound) variable of the research is Economic Growth (PE), while the independent (free) variables are Money Supply (JUB), Interest Rates (SB), Inflation (INF), and Foreign Direct Investment (FDI). The aim of this research is to analyze and determine the influence of monetary variables on the economic growth of developing countries in Asia.

## IV. RESULTS

### 1. Panel Data Regression Model Selection

The panel data regression estimation model was selected based on evaluation using the Chow test, Hausman test and Lagrange Multiplier test to ensure the suitability of the model to the specified criteria.

#### A. Chow Test

The Chow Test is a panel data test that is used to determine which model is the most appropriate for a given set of data: the Common Effect Model or the Fixed Effect Model. The results of the Chow Test are presented in the following table.

**Table 4.1 Chow Test Results**

Effects Test	Statistik	d.f.	Prob.
Cross-section F	4917.999928	(14,56)	0.0000
Cross-section Chi-square	533.638189	14	0.0000

Source: Research results, data processed by researchers, 2024

Table 4.1 show that the Chow test obtained a probability on the cross-section F of 0.0000 with a significance level of 0.05. This indicates the rejection of  $H_0$ . A probability value smaller than 0.05 indicates that the model selected through the chow test is the fixed effect model.

#### B. Hausman Test

The Hausman test is employed to ascertain the optimal model between the fixed effect model and the random effect model. The results of the Hausman test are presented in the following table:

**Table 4.2 Hausman Test Results**

Test Summary	Chi-Sq.Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	6.700598	4	0.1526

Source: Research results, data processed by researchers, 2024

Table 4.2 shows that the results of the Hausman test show that there is a probability value in the cross section of  $0.1526 > 0.05$ , so  $H_0$  is accepted as fulfilled, which shows that the best and most suitable model to use in this research is the random effect model.

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### C. Lagrange Multiplier Test

Lagrange Multiplier (LM) test to determine the best model between the Common Effect Model (CEM) and the Random Effect Model (REM). The following Lagrange Multiplier (LM) Test Results in this study can be seen in the following table:

**Table 4.3 Lagrange Multiplier Test Results**

	Cross-section	Test Hypothesis time	Both
Breusch-Pagan	125.2497	1.998655	127.2484
	(0.00000)	(0.1574)	(0.0000)

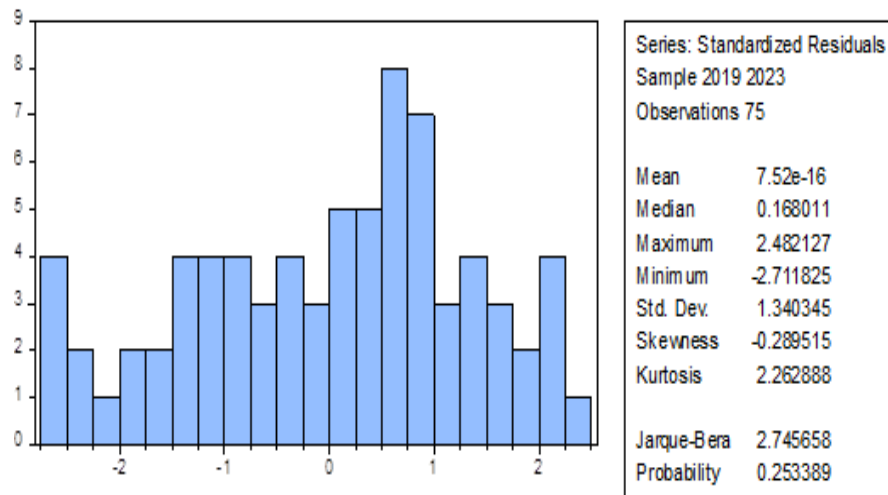
**Source:** Research results, data processed by researchers, 2024

Table 4.3 shows that the results of the Lagrange multiplier test show that the Breusch-Pagan probability value is  $0.0000 < 0.05$ , so  $H_0$  is rejected, which shows that the best and most appropriate model to use in this research is the random effect model.

### 2. Classical Assumption Test

The classical assumption test stages are divided into three, namely normality test, multicollinearity test and heteroscedasticity test.

#### A. Normality Test



**Figure 4.1 Normality Test Results**

**Source:** Research results, data processed by researchers, 2024

From Figure 4.1, it can be seen that the normality results obtained a probability value of  $0.253389 < 0.05$ , so  $H_0$  is rejected. It can be interpreted that the regression model in this study is that the data is not normally distributed.

#### B. Multicollinearity Test

**Table 4.4 Multicollinearity Test Results**

	LOGJUB	SB	INF	FDI
LOGJUB	1.000000	-0.153195	-0.002499	0.147250
SB	-0.153195	1.000000	-0.426509	-0.094329
INF	-0.002499	-0.426509	1.000000	0.020964
FDI	0.147250	-0.094329	0.020964	1.000000

**Source:** Research results, data processed by researchers, 2024

Table 4.4 shows the results of the multicollinearity test for all independent variables with a correlation value of  $< 0.80$ . So it can be interpreted that the data in this study does not show symptoms of multicollinearity.

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## C. Heteroscedasticity Test

**Table 4.5 Heteroscedasticity Test Results**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.952755	0.645124	1.476856	0.1442
LOGJUB	-0.007786	0.021466	-0.362703	0.7179
SB	0.004259	0.004894	0.870328	0.3871
INF	-0.001615	0.007383	-0.218782	0.8275
FDI	0.009630	0.021295	0.452208	0.6525

**Source:** Research results, data processed by researchers, 2024

Table 4.5 shows that the results of the heteroscedasticity test show that all variables in the research have significant probability values > 0.05. So it can be interpreted that the regression model in this study does not have heteroscedasticity or homoscedasticity.

### 3. Panel Data Regression Equation Model

Based on the results of the panel data regression model estimation test, the Chow Test and the Hausman Test that have been carried out, can be concluded that the best and suitable model for use in this research is the Random Effect Model (REM).

**Table 4.6 Random Effect Model (REM) Analysis Results**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	16.46654	0.929649	17.71263	0.0000
LOGJUB	0.295706	0.028875	10.24086	0.0000
SB	0.000462	0.001052	0.439394	0.6617
INF	-0.000794	0.001655	-0.479565	0.6330
FDI	0.010377	0.003428	3.027565	0.0034
Effects Specification			S.D.	Rho
Cross-section random			1.404432	0.9990
Idiosyncratic random			0.043924	0.0010
Weighted Statistics				
R-squared	0.619312	Mean dependent var	0.353386	
Adjusted R-squared	0.597558	S.D. dependent var	0.070561	
S.E. of regression	0.044763	Sum squared resid	0.140260	
F-statistic	28.46940	Durbin-Watson stat	1.247855	
Prob(F-statistic)	0.000000			
Unweighted Statistics				
R-squared	0.417316	Mean dependent var	25.26852	
Sum squared resid	164.7491	Durbin-Watson stat	0.001062	

**Source:** Research results, data processed by researchers, 2024

The results of the panel data regression model in Table 4.6, the equation is as follows:

$$PE_{it} = \alpha + \beta_1 JUB_{it} + \beta_2 SB_{it} + \beta_3 INF_{it} + \beta_4 FDI_{it} + \epsilon_{its} \dots \dots \dots (2)$$

$$PE_{it} = 16.46654 + 0.295706JUB_{it} + 0.000462SB_{it} - 0.000794INF_{it} + 0.010377FDI_{it} \dots \dots \dots (3)$$

1. The constant value (coefficient) obtained is 16.46654, which means that without the influence of the independent variable or the independent variable has a value of 0 (zero), namely the Money Supply (JUB), Interest Rate (SB), Inflation (INF) and Foreign Direct Investment (FDI), then The value of the dependent variable, namely Economic Growth (PE) in fifteen developing Asian countries, is 16.46654, in other words, if the independent variable were constant, Economic Growth would be 16.46654.
2. The value of the money supply has a positive and significant influence on economic growth in fifteen developing Asian countries. If the value of the Money Supply increases by 1 (one) percent, then the value of Economic Growth will increase by 0.295706.
3. The interest rate value has a positive and insignificant influence on economic growth in fifteen developing Asian countries. If the Interest Rate value increases by 1 (one) percent, the Economic Growth value will increase by 0.000462.
4. Inflation values have a negative and insignificant influence on economic growth in fifteen developing Asian countries. If the Inflation value increases by 1 (one) percent, the Economic Growth value will decrease by -0.000794.

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5. The value of Foreign Direct Investment has a positive and significant influence on economic growth in fifteen developing Asian countries. If the value of Foreign Direct Investment increases by 1 (one) percent, then the value of Economic Growth will increase by 0.010377.

### 4. Hypothesis Test

The hypothesis test includes the t-test, F-test and the coefficient of determination ( $R^2$ ). The test is explained as follows:

#### A. t-statistic Test

**Table 4.7 Result Of t Test**

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	16.46654	0.929649	17.71263	0.0000
LOGJUB	0.295706	0.028875	10.24086	0.0000
SB	0.000462	0.001052	0.439394	0.6617
INF	-0.000794	0.001655	-0.479565	0.6330
FDI	0.010377	0.003428	3.027565	0.0034

**Source:** Research results, data processed by researchers, 2024

Based on Table 4.7, the results of the t-statistic test for each variable can be described as follows:

1.  $H_1$ : There is a significant positive influence between the Money Supply on Economic Growth in developing Asian countries.
  - a. The value of  $t = 10.24086$  shows that the greater the value of the Money Supply, the greater the value of Economic Growth in developing Asian countries.
  - b. The t-table value with a significance level of 0.05 and degrees of freedom ( $df = (n-k)$  or  $(75-5)$ ) means the t-table value is 1.994437.
  - c. The value  $t\text{-count} > t\text{-table}$  ( $10.24086 > 1.994437$ ) means that  $H_0$  is rejected and  $H_1$  is accepted.
  - d. The probability value for the Money Supply has a value of  $0.0000 < 0.05$ , meaning that  $H_0$  is rejected and  $H_1$  is accepted.
  - e. The money supply has a positive and significant effect on economic growth in developing Asian countries.
2.  $H_2$ : There is an insignificant positive influence between interest rates on economic growth in developing Asian countries.
  - a. The value of  $t = 0.439394$  shows that the greater the interest rate value, the greater the value of economic growth in developing Asian countries.
  - b. The t-table value with a significance level of 0.05 and degrees of freedom ( $df = (n-k)$  or  $(75-5)$ ) means the t-table value is 1.994437.
  - c. The value of  $t\text{-count} < t\text{-table}$  ( $0.439394 < 1.994437$ ) means that  $H_0$  is accepted and  $H_1$  is rejected.
  - d. The interest rate probability value is  $0.6617 > 0.05$ , meaning that  $H_0$  is accepted and  $H_1$  is rejected.
  - e. Interest rates have a positive and insignificant effect on economic growth in developing Asian countries.
3.  $H_3$ : There is an insignificant negative influence between inflation and economic growth in developing Asian countries.
  - a. The t value =  $-0.479565$  shows that the greater the inflation value, the lower the economic growth value in developing Asian countries.
  - b. The t-table value with a significance level of 0.05 and degrees of freedom ( $df = (n-k)$  or  $(75-5)$ ) means the t-table value is 1.994437.
  - c. The value  $t\text{-count} < t\text{-table}$  ( $-0.479565 < 1.994437$ ) means that  $H_0$  is accepted and  $H_1$  is rejected.
  - d. The probability value for Inflation is  $0.6330 > 0.05$ , meaning that  $H_0$  is accepted and  $H_1$  is rejected.
  - e. Inflation has a negative and insignificant effect on economic growth in developing Asian countries.
4.  $H_4$ : There is a significant positive influence between Foreign Direct Investment on Economic Growth in developing Asian countries.
  - a. The value of  $t = 3.027565$  shows that the greater the value of Foreign Direct Investment, the greater the value of Economic Growth in developing Asian countries.
  - b. The t-table value with a significance level of 0.05 and degrees of freedom ( $df = (n-k)$  or  $(75-5)$ ) means the t-table value is 1.994437.
  - c. The value  $t\text{-count} > t\text{-table}$  ( $3.027565 > 1.994437$ ) means that  $H_0$  is rejected and  $H_1$  is accepted.
  - d. The probability value for Foreign Direct Investment is  $0.0034 < 0.05$ , meaning that  $H_0$  is rejected and  $H_1$  is accepted.
  - e. Foreign Direct Investment has a positive and significant effect on Economic Growth in developing Asian countries.

#### B. F-statistic Test

**Table 4.8 Result Of F Test**

F-statistic	28.46940	Durbin-Watson stat	1.247855
Prob(F-statistic)	0.000000		

**Source:** Research results, data processed by researchers, 2024

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Based on Table 4.8, the results of the F-statistic test for each variable can be described as follows:

- The calculated F value = 28.46940 shows that the greater the value of Money Supply, Interest Rates, Inflation and Foreign Direct Investment (FDI), the value of economic growth in developing Asian countries will increase.
- The F-table value with a significance level of 0.05 and the numerator degree (k-1) or (5-1) = 4 and the denominator degree (n-k) or (75-5) = 70 means the F-table value is 2.502656.
- The value of F-count > F-table (28.46940 > 2.502656) means that  $H_0$  is rejected and  $H_1$  is accepted.
- The probability value for Money Supply, Interest Rates, Inflation and Foreign Direct Investment (FDI) has a value of 0.0000 < 0.05, meaning  $H_0$  is rejected and  $H_1$  is accepted.
- Money Supply, Interest Rates, Inflation and Foreign Direct Investment (FDI) simultaneously have a positive and significant influence on Economic Growth in developing Asian countries.

### C. Determinant Coefficient Test ( $R^2$ )

**Table 4.9 Adjusted Determination Coefficient Test ( $R^2$ )**

R-squared	0.619312	Mean dependent var	0.353386
Adjusted R-squared	0.597558	S.D. dependent var	0.070561

**Source:** Research results, data processed by researchers, 2024

Based on Table 4.9, it shows that the coefficient of determination as seen from the R-squared value is 0.619312 or 61.93 percent. This figure shows how much influence the Money Supply, Interest Rate, Inflation and Foreign Direct Investment (FDI) variables have together. The remainder, amounting to 38.07 percent of the total variation (100 percent), is thought to be influenced by other factors not included in this study.

## V. DISCUSSION

### A. The Effect of Money Supply on Economic Growth

Based on regression results using panel data on developing countries in Asia from 2019 to 2023, it was found that the Money Supply has a significant positive influence on Economic Growth. This result was obtained with a value of t-count > t-table = 10.24086 > 1.994437 with a probability value of 0.0000 < 0.05. Thus, the hypothesis  $H_0$  is rejected and  $H_1$  is accepted, with a coefficient value of 0.295706. It can be concluded that the Money Supply has a positive and significant effect on Economic Growth in developing countries in Asia. Every 1 (one) percent increase in the Money Supply will increase the Economic Growth of countries in Asia by 0.295706. If the amount of money circulating in society experiences an excess, the Central Bank will take a policy to reduce interest rates which will encourage investors to invest, thereby increasing output and encouraging economic growth.

### B. The Effect of Interest Rates on Economic Growth

Based on regression results using panel data on developing countries in Asia from 2019 to 2023, it was found that interest rates have an insignificant positive influence on economic growth. This result was obtained with a value of t-count < t-table = 0.439394 < 1.994437 with a probability value of 0.6617 > 0.05. Thus, the hypothesis  $H_0$  is accepted and  $H_2$  is rejected, with a coefficient value of 0.000462. It can be concluded that interest rates have a positive and insignificant effect on economic growth in developing countries in Asia. Every 1 (one) percent increase in interest rates will increase the economic growth of countries in Asia by 0.000462. By raising interest rates, the Central Bank can increase investor confidence in the economy, which shows that the Central Bank is trying to maintain economic stability. This economic stability can encourage investment which will increase economic growth.

### C. The Effect of Inflation on Economic Growth

Based on regression results using panel data on developing countries in Asia from 2019 to 2023, it was found that inflation has an insignificant negative effect on economic growth. This result was obtained with a value of t-count < t-table = -0.479565 < 1.994437 with a probability value of 0.6330 > 0.05. Thus, the hypothesis  $H_0$  is accepted and  $H_3$  is rejected, with a coefficient value of -0.000794. It can be concluded that inflation has a negative and insignificant effect on economic growth in developing countries in Asia. Every 1 (one) percent increase in inflation will reduce the economic growth of countries in Asia by -0.000794. Inflation will cause a reduction in people's purchasing power and cause an increase in company production costs. An increase in production costs will cause the company's profits to decrease. Due to reduced profits obtained by companies, economic growth is increasingly decreasing.

### D. The Influence of Foreign Direct Investment on Economic Growth

Based on regression results using panel data on developing countries in Asia from 2019 to 2023, it was found that Foreign Direct Investment has a significant positive influence on Economic Growth. This result was obtained with a value of t-count > t-table = 3.027565 > 1.994437 with a probability value of 0.0034 < 0.05. Thus, the hypothesis  $H_0$  is rejected and  $H_4$  is accepted, with a coefficient value of 0.010377. It can be concluded that Foreign Direct Investment has a positive and significant effect on Economic Growth in developing countries in Asia. Every 1 (one) percent increase in Foreign Direct Investment will increase the Economic



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Growth of countries in Asia by 0.010377. Investing FDI in a country is a benefit for the host country, especially in terms of development and economic growth. In developing countries, investment is an important factor driving economic growth.

### E. The Influence of Money Supply, Interest Rates, Inflation and Foreign Direct Investment on Economic Growth

Based on regression results using panel data on developing countries in Asia from 2019 to 2023, it was found that Money Supply, Interest Rates, Inflation and Foreign Direct Investment have a significant positive influence on Economic Growth. This result was obtained with a value of  $F\text{-count} > F\text{-table} = 28.46940 > 2.502656$  with a probability value of  $0.0000 < 0.05$ . Thus, hypothesis  $H_0$  is rejected and  $H_5$  is accepted.

## VI. CONCLUSIONS

Based on the results of discussion and analysis of research on the influence of Money Supply, Interest Rates, Inflation and Foreign Direct Investment (FDI) on the economic growth of developing countries in Asia, the following conclusions are obtained:

1. The money supply has a positive and significant effect on the economic growth of developing countries in Asia
2. Interest rates have a positive and insignificant effect on the economic growth of developing countries in Asia.
3. Inflation has a negative and insignificant effect on the economic growth of developing countries in Asia.
4. Foreign Direct Investment (FDI) has a positive and significant effect on the economic growth of developing countries in Asia.
5. Money Supply, Interest Rates, Inflation and Foreign Direct Investment (FDI) have a positive and significant effect on the economic growth of developing countries in Asia.

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