



## Influence of World Military Expenditure and Inflation on Indonesia's Economic Growth Period 1992–2022

Aldi Himawan<sup>1\*</sup>, Muliahadi Tumanggor<sup>2</sup>, Lukman Yudho Prakoso<sup>3</sup>, Suwito<sup>4</sup>

<sup>1,2,3,4</sup> Universitas Pertahanan Republik Indonesia, Indonesia

[aldihimawan.smf@gmail.com](mailto:aldihimawan.smf@gmail.com)<sup>1\*</sup>, [muliahadi.tumanggor@idu.ac.id](mailto:muliahadi.tumanggor@idu.ac.id)<sup>2</sup>, [lukman.prakoso@idu.ac.id](mailto:lukman.prakoso@idu.ac.id)<sup>3</sup>, [suwitooau@gmail.com](mailto:suwitooau@gmail.com)<sup>4</sup>

\*Corresponding Author

### Article Info

#### Article History:

Received: January 10,  
2024

Revised: January 30,  
2024

Accepted: April 26, 2024

#### Keywords:

Budget,  
Defense Economic,  
Economic Growth,  
Inflation,  
Military Expenditure

### Abstract

Military expenditure plays an important role in state spending to maintain security and defense as well as economic stability. The increase in world military expenditure is triggered by global geopolitical threats. Inflation management has an impact on economic growth in addition to military expenditure. It is interesting to look at how Indonesia's economy has grown in the current global environment, which is marked by geopolitical unpredictability ranging from the war between Russia and Ukraine to the financial crisis and the COVID-19 pandemic. The purpose of this study is to look into how inflation and World military expenditure affected Indonesia's economic growth from 1992 and 2022. This study employed descriptive and inferential quantitative research methodology, concentrating on secondary data obtained from [statista.com](https://www.statista.com), the World Bank, the Stockholm International Peace Research Institute, and the Central Bureau of Statistics. The findings indicate that inflation and world military expenditure have a substantial impact on Indonesia's economic growth. According to each variable, Indonesia's economic growth is significantly and negatively impacted by inflation, while it is not significantly and negatively impacted by military expenditure. Military expenditure is influenced by geopolitical unpredictability, which can impede sustained economic expansion. Furthermore, whereas high inflation creates economic uncertainty, a stable inflation rate fosters economic growth. World military expenditure ought to present prospects for the defense industry to be stimulated in ways that boost sales and new technological advancements in military hardware designed to be globally competitive with defense industries in other nations through defense budget assistance. To lower production costs in the defense industry and other supporting businesses, the government must also continue to implement the target inflation rate.

#### DOI:

<http://dx.doi.org/10.33172/jp.v10i1.19466>

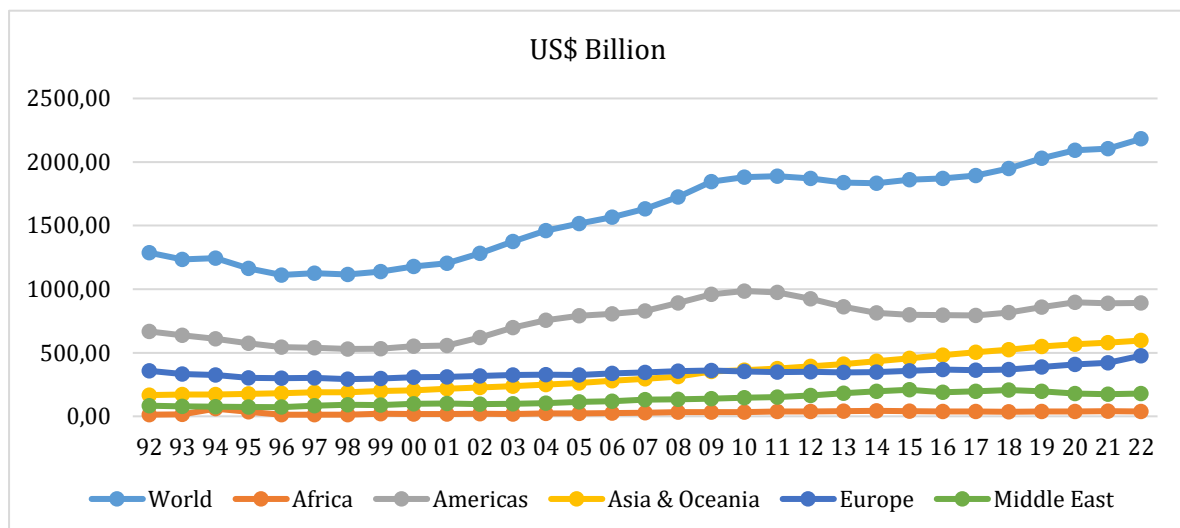
2549-9459/Published by Indonesia Defense University This is an open-access article under the CC BY-NC license (<https://creativecommons.org/licenses/by-nc/4.0/>).

## INTRODUCTION

Economic growth is a change in the economic condition of a country in a better direction to improve the welfare of the wider community. Indonesia has experienced many economic changes such as the economic and monetary crisis, economic reform, the global food and energy crisis, and the COVID-19 pandemic. Talking about the conditions during the COVID-19 pandemic where economic growth had dropped to -3% occurred due to the implementation of policies to limit the movement of the world community to suppress the spread of the COVID-19 virus. Quoting from the research journal Susilo, Sari, Putra, & Pratiwi (2022) as many as 40 developing countries studied and have the status of upper-middle-income countries in 2020 have made policies to use military expenditure in dealing with the threat of the COVID-19 virus and have good impact on encouraging economic growth and maintaining security stability.

A country's military expenditure is a special concern, this is because state spending is part of determining the country's defense forces in maintaining security and defense stability in supporting the country's economic stability. Some countries issue policies to increase their military expenditure due to threat factors or instability in regional and global geopolitical situations, as well as modernization of defense equipment. Meanwhile, some countries choose to reduce their military expenditure because the conditions of the country are in a situation of falling threats and are still under control or because the need for spending on non-military expenditures used for social needs and welfare in society is prioritized. An increase or decrease in a country's military expenditure can affect geopolitics and global trade. Determining strategic policy in the defense sector is a complex matter by identifying threats and opportunities in the strategic environment the capabilities of the defense forces owned and other needs (Yusgiantoro, 2014).

Indonesia as a developing country cannot be separated from the influence of changes in the increase in world military expenditure. Defense budget expenditures in Indonesia in the 2015-2019 period were used for the modernization program of the main equipment of the land, sea, and air components, the implementation of management and operations of the land, sea, and air dimensions, as well as research and development programs at the Ministry of Defense (Aida, 2022)

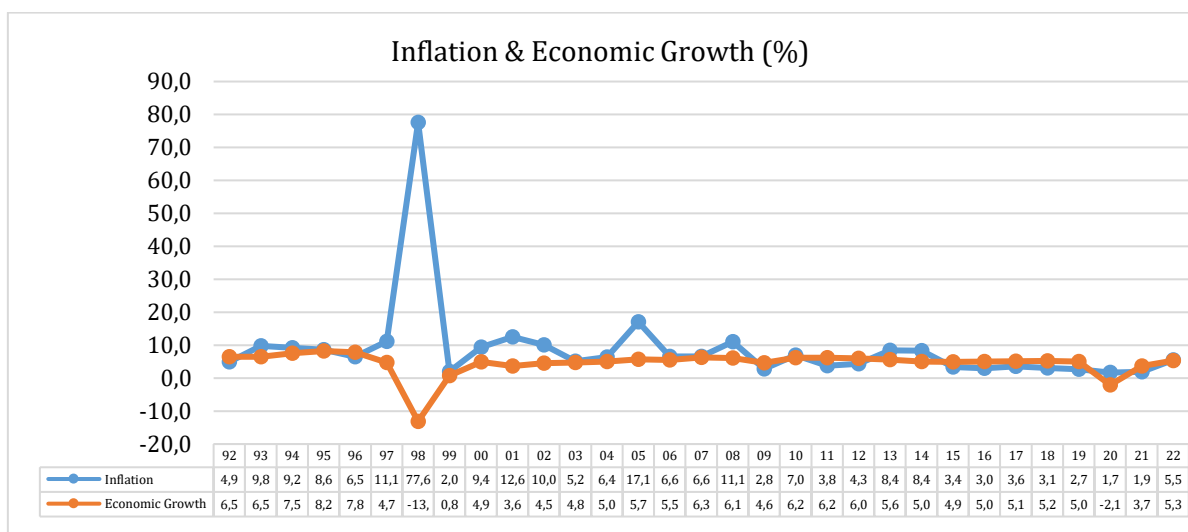


**Figure 1.** World Military Expenditure by Region for the Period 1992–2022 (Stockholm International Peace Research Institute, 2023)

Data from the Stockholm International Peace Research Institute (SIPRI) regarding the development of global military expenditure has increased by a total of 69.41% in the last 3 decades from US\$1,287.9 billion in 1992 to US\$2,181.9 billion in 2022. This increase in military expenditure is due to the strategic environment situation, namely external factors in the form of uncertainty and complexity of world geopolitics. The heated conflict between Russia and Ukraine in 2014 due to Russia trying to take over Ukraine because of Russia's concerns that Ukraine is led by a president who is pro to the European Union and the United States so that it can be exploited by NATO or the North Atlantic Treaty Organization (Pramono & Prakoso, 2022). This condition is one of the triggers for countries, especially in Europe, to focus on improving their country's military defense.

According to Azam (2020) without international cooperation to minimize political pressure, an increase or decrease in regional military expenditure can occur due to encouragement from neighboring countries that maintain their country's security beyond other countries in a region. The external threat factor in a region can contribute to a country's decision to carry out a military expenditure policy. In line with that, William Jennings Bryan in the theory of guns and butter, explains how the government sets fiscal policy for the state spending plan, whether the state spending is used for spending on the defense sector (military) or spending on the non-defense sector (non-military) such as spending on domestic needs aimed at public welfare.

The determination of the portion between military and non-military expenditures should ideally be adjusted to the conditions of the country. In line with that, the Ministry of Defense of the Republic of Indonesia (2015) in the Indonesian Defense White Paper explains that determining the amount of the defense budget can be adjusted to the financial capacity of the state and based on the National Development priorities that have been planned in the Strategic Plan. The need for a national defense budget will continue to increase and go hand in hand with the quality of the threats that will be faced. Modernization of main defense system equipment is one of the things needed in answering the growing defense challenges, therefore the determination of the national defense budget at a proportional ratio will build a national defense capability that has deterrence while having a major influence on national stability and national development (Ministry of Defense of the Republic of Indonesia, 2015).



**Figure 2.** Inflation Rate & Indonesia's Economic Growth Period 2003–2022  
(Central Bureau of Statistics, 2024; O'Neill, 2023; World Bank, 2023)

The Ministry of National Development Planning/National Development Planning Agency (Bappenas) in Indonesia's Vision 2045 predicts that Indonesia's economy will be able to grow 5.7% per year with a high economic growth scenario in the period 2016-2045, Indonesia will be ranked the fifth largest Gross Domestic Product (GDP) in the world, while if in that period economic growth is 5.1%, in 2045 it will be predicted that Indonesia's GDP will be ranked seventh. In terms of defense and security, increasing defense based on smart power requires the support of a defense budget of 1.5% of GDP (National Development Planning Agency, 2019).

Apart from military expenditure, economic growth is also influenced by a country's inflation rate, which with controlled inflation can encourage increased economic growth. In Structuralist Theory, the beginning of inflation occurs due to changes in the structure of demand where when demand in a particular sector increases due to changes in consumer tastes, the price of goods in that sector will increase along with the increase in demand for raw materials that participate in the production process (Hartati, 2020). Mahzalena & Juliansyah (2019) explains that inflation is an increase in prices in general, namely not only one or two goods but also other goods, and occurs continuously in a certain period. Meanwhile, according to Keynes' theory, inflation can be caused by uncontrolled public consumption in utilizing goods and services excessively so that demand increases while supply remains so that there is an increase in the price of goods and services (Simanungkalit, 2020).

Inflation is a reflection of the economy of a country, controlling inflation is done to suppress the increase in prices of goods and services. Continuous and long-term price increases can lead to an increase in poverty and welfare levels in society due to reduced purchasing power. According to the Journal of Bureau of Budget Analysis and Implementation of the House of Representatives of The Republic of Indonesia, (n.d.), a low inflation rate ranges from 2%-4% per year while the inflation rate is considered high if it ranges from 7%-10% per year.

There are variations in the study's findings compared to earlier research on the relationship between military expenditure and economic growth. Based on research from Mubarok, Surjaatmadja, & Almubaroq (2023) on several researchers who discussed the effect of military expenditure and economic growth, it can be concluded that military expenditure contributes positively to the country's economic growth and can create new jobs so this military expenditure can have an impact on reducing poverty. In line with that, Saputro & Rivai (2021) explained that the defense budget has a positive and significant effect on economic growth so its role is very important in encouraging economic growth in Indonesia. However, other previous scientific research by Hou and Chen who examined 35 developing countries for the period 1975-2009 revealed that military expenditure has a negative and significant impact on economic growth, as well as Ali in his research in Egypt said that military expenditure has no effect on GDP, on the contrary GDP has an influence on military expenditure (Susilo et al., 2022). Another study also concluded that military expenditure and economic growth have a strong negative (inverse) relationship where encouraging military expenditure is not an option because it can hinder economic growth (Azam, 2020).

Similar variations existed in the research findings of earlier investigations on the impact of inflation on economic growth. According to Sukirno (2000) as cited in Wiriani & Mukarramah (2020) the grouping of inflation types based on the initial cause is divided into two, namely (1) Demand-Pull Inflation due to the increased public demand for goods or services, this inflation occurs in a rapidly growing economy or in times of political instability or continuous war; (2) Cost Push Inflation occurs due to an increase in the cost

of production which can be caused by a depreciating exchange rate, rising commodity prices, disruption of trade distribution, and an increase in workers' salaries or wages. Previous research conducted by Salim, Fadilla, & Purnamasari (2021) concluded that inflation has a significant and negative effect on economic growth in Indonesia. Meanwhile, in contrast to the results of research conducted by Hartati (2020) concluded that inflation studied in the 2010-2016 period had no significant effect on economic growth in Indonesia with a significance value of 0.557 ( $>0.05$ ). In contrast to previous studies that only examined the relationship between a country's military expenditure and its economic growth, this study will expand the research by examining the impact of world military expenditure and inflation on Indonesia's economic growth using updated data from 1992 to 2022.

Based on the background of the problem, the following problem formulation can be made below:

- a. How to analyze the effect of world military expenditure on Indonesia's economic growth for the period 1992–2022.
- b. How to analyze the effect of inflation on Indonesia's economic growth for the period 1992–2022.
- c. How to analyze the effect of world military expenditure and inflation simultaneously on Indonesia's economic growth for the period 1992–2022.

This study aims to determine how much influence the aspects of increased world military spending and inflation have on economic growth in Indonesia. Analysis of the influence of these two aspects is important for how we understand the dynamics of Indonesia's economic growth during the period 1992-2022.

## **METHODS**

Data analysis is part of the research that will determine the accuracy of a study. If the research uses techniques that are not in accordance with the existing data, even though the formulation of the problem and the sample used are correct, it is not certain to get the right results. Likewise, if the analysis technique is carried out correctly and the data is not valid and reliable, it can provide results that are contrary to those in the field (Yusuf, 2014).

This study uses descriptive and inferential quantitative research methodology where the data collected is secondary data obtained by literature study data collection techniques from documents at the Stockholm International Peace Research Institute (SIPRI), World Bank, Central Statistics Agency (*Badan Pusat Statistik* or BPS) and *statista.com*, namely in the form of world military expenditure data, inflation data, and economic growth data in Indonesia in the period 1992-2022. The data in the selected documents have high credibility because they are obtained from clear data sources and a large sample size.

The approach in this study uses the application of descriptive statistics to describe the data that has been collected. According to Sugiyono (2013), descriptive statistics are statistics used to analyze data by describing or describing the data that has been collected as it is without intending to make general conclusions or generalizations. To analyze the sample data, an approach is taken by applying inferential statistics to analyze the correlation between several independent variables ( $X_1, X_2$ ) on the dependent variable ( $Y$ ) with multiple linear regression tests. Sugiyono (2013) explains that inferential statistics are statistical techniques used to analyze sample data and the results are applied to the population.

- The tests carried out in the multiple linear regression test carried out are as follows:
- Test the coefficient of determination (R Square), used to determine how much influence the independent variable has on the dependent variable. If the R Square value approaches 1, then the independent variable has a greater influence on the dependent variable.
  - Model reliability test (F test), used to determine the simultaneous influence of all variables on the dependent variable. If the F significance value is smaller than 0.05, it can be concluded that the independent variable has a significant effect on the dependent variable simultaneously.
  - Partial test (t-test), used to determine the effect of each independent variable on the dependent variable. If the significance value of t is less than 0.05, the independent variable has a significant effect on the dependent variable and if the t value is positive, then the two independent and dependent variables have a positive relationship. So, if the value of the independent variable increases, the value of the dependent variable will also increase, and vice versa, if the value of the independent variable decreases, the value of the dependent variable will decrease.

The variables in this study consist of world military expenditure (X1), inflation in Indonesia (X2), and Indonesia's economic growth (Y). The population in this study is world military expenditure, inflation in Indonesia, and economic growth in Indonesia, while the sample studied through probability sampling is the period 1992-2022.

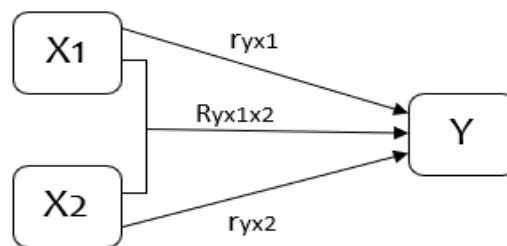


Figure 3. Research Conceptual Framework (Sugiyono, 2013)

## RESULT AND DISCUSSION

### Descriptive Analysis

World military expenditure continued to increase during the period 1992 to 2022. Table 1 shows that the largest increase in world military expenditure occurred in 2003 from US\$1,280.6 billion in 2002 to US\$1,374.41 billion in 2003 or an increase of 7.33% and experienced the largest decline in 1995 by -6.5% from US\$1243.8 billion in 1994 to US\$1,162.9 billion in 1995 due to a decrease in military expenditure in almost all regions except in Asia & Oceania which experienced an increase in military expenditure from US\$172.19 billion to 177.19 billion.

Overall, the largest increase in military spending from 1992 to 2022 occurred in the Asia & Oceania region, which experienced an increase of 256.36% from the previous US\$167.2 billion to US\$595.9 billion. One of the factors for the increase in military spending in Asia is the increase in China's defense forces, making China the country with the second largest military budget in the world and continuing to increase the defense budget to modernize defense equipment. Military spending in the Americas experienced the smallest increase in military spending in the world during the period, which amounted to 33.41% from US\$667.89 billion to US\$891.05 billion, but the Americas is still the region that has the largest amount of military spending each year compared to



other regions. The largest military expenditure of the Americas region occurred in 2022 at US\$891.1 billion, accounting for 40.8% of the world's military expenditure in that year.

**Table 1.** World Military Expenditure (US\$ Billion)  
(Stockholm International Peace Research Institute, 2023)

Year	Africa	Americas	Asia & Oceania	Europe	Middle East	World
1992	13,39	667,89	167,22	356,86	82,57	1287,90
1993	15,20	637,64	171,11	332,80	77,77	1234,50
1994	60,13	609,40	172,19	326,08	76,04	1243,80
1995	36,10	573,63	177,14	303,07	72,95	1162,90
1996	12,52	544,14	181,57	301,18	72,13	1111,60
1997	13,38	538,54	187,99	302,26	84,59	1126,80
1998	14,07	529,81	188,47	292,40	89,87	1114,60
1999	19,58	531,87	199,60	297,98	88,57	1137,60
2000	17,80	550,59	204,17	306,97	97,91	1177,40
2001	18,41	557,90	215,99	309,55	101,06	1202,90
2002	20,22	620,00	226,55	317,09	96,78	1280,60
2003	19,17	696,76	236,16	324,18	98,13	1374,41
2004	22,00	756,65	250,32	328,31	104,09	1461,37
2005	22,11	792,07	263,06	325,72	112,40	1515,40
2006	25,99	804,91	278,56	337,21	119,63	1566,30
2007	27,31	829,76	295,59	346,37	131,79	1630,82
2008	31,91	890,44	313,72	355,89	133,15	1725,11
2009	32,40	959,53	353,46	360,73	138,93	1845,04
2010	34,20	985,63	361,67	353,62	146,56	1881,67
2011	38,03	975,37	375,34	347,72	151,46	1887,92
2012	37,59	925,50	392,60	350,75	164,86	1871,30
2013	40,45	860,55	410,49	344,60	182,75	1838,84
2014	42,41	812,96	432,31	348,40	197,93	1834,01
2015	40,54	798,05	457,15	357,44	208,83	1862,01
2016	38,60	794,82	481,12	369,18	187,96	1871,67
2017	37,61	793,59	502,71	362,06	197,11	1893,09
2018	36,31	816,72	523,04	368,36	205,73	1950,16
2019	37,24	858,32	549,01	387,26	196,78	2028,62
2020	38,99	897,71	567,83	407,92	179,47	2091,93
2021	40,00	888,42	580,44	420,71	174,51	2104,07
2022	37,87	891,05	595,90	477,04	180,06	2181,92

Public expenditure is one of the fiscal policy tools that the government can use to increase GDP and economic growth (Hutahaean, 2019). The United States, which has the largest military expenditure in the world, accounts for the majority of military expenditure in the Americas region. One part of the United States military expenditure is to build new defense systems, such as the manufacture of more modern weapons. The United States' advanced defense industry can support the development of these defense systems so that military spending by the United States contributes to developing the local defense industry and increasing GDP. When compared to Indonesia's current defense system procurement, defense sector imports are still quite large, as Indonesia is currently one of the largest importers in the world. On the other hand, defense sector exports still need to be increased to improve competitiveness (Aida, 2022).

Table 2 shows that world military expenditure (X1) is known to have an average (mean) world military expenditure for 3 decades is US\$1,596.7 billion with the largest

expenditure (max) occurring in 2022 which amounted to US\$2,181.92 billion and the smallest world military expenditure is US\$1,111.6 billion which occurred in 1996. After the end of the Cold War, the global defense budget decreased along with the dissolution of the Soviet Union. Since 2000 until now, the global defense budget has increased due to the perception of various threats such as the events of 9/11, the economic and military rise of China, and the Russian invasion where the average percentage of the global defense budget to GDP has increased above 2% (Sabana, Maharani, & Gindarsih, 2023).

The inflation rate in Indonesia (X2) has an average (mean) inflation rate of 8.8% and the lowest inflation rate (min) in 2020 was 1.68% and the highest (max) was 77.6% in 1998 during the monetary crisis in Indonesia. Interestingly, during the pandemic in 2020, there was an anomaly because the low inflation rate was due to lower demand for goods and services prices. Global pandemic conditions have hampered the economic activities of the world community.

**Table 2.** Descriptive Statistics X1, X2, and Y (Processed by the Author with IBM SPSS 25)

Var	Min	Max	Mean	Std. Dev
X1	1.111,6	2.181,92	1.596,7	354,5
X2	1,68%	77,6%	8,8%	0,133
Y	-13,13%	8,22%	4,55%	0,0379

In 2022, the inflation rate experienced the highest increase in the last 7 years at 5.51% (Figure 2). This was influenced by the food and energy crisis caused by the war between Russia and Ukraine, which disrupted the distribution of global food and energy logistics, increasing global market prices. The pressure of rising global food and energy prices also had an impact on slowing global economic growth. This condition is in line with the theory of the relationship between inflation and economic growth which states that the inflation rate affects economic growth where if the inflation rate is high it causes economic growth to decline or slow down.

While Indonesia's economic growth (Y) in Table 2, has an average of 4.55%. The lowest economic growth rate (min) of -13.13% occurred during the economic and monetary crisis in 1998 and the highest economic growth rate (max) occurred in 1995 at 8.22%. In the last 10 years, Indonesia's economic growth has never reached 6% and is still below the target made by the National Development Planning Agency (Bappenas) to realize Indonesia's Vision 2045 to become a developed country with a minimum average economic growth of 5.7%. Indonesia's economic growth in 2023 is predicted by the World Bank in the range of 4.5%-5.3% and is still above global economic growth which is slowing down and is predicted at 2.8%.

### Multiple Linear Regression Analysis

Based on the data in Table 3 for the coefficient of determination test, the R square shows a value of 0.659 which illustrates that world military expenditure and the inflation rate in Indonesia affect Indonesia's economic growth by 65.9%, while the remaining 34.1% is influenced by other factors not examined in this study.

**Table 3.** Model Feasibility Test (R & F Test)  
(Processed by the Author with IBM SPSS 25)

R	R Square	Std. error	F-Value	Sig.
.812	.659	.0229	27.078	.000

Variable Dependent: Indonesia's Economic Growth



In Table 3 for the F test (model reliability test), then simultaneously or together the world military expenditure and inflation rate in Indonesia as independent variables have a significant effect on Indonesia's economic growth as the dependent variable, as evidenced by the significant F value of 0.000 which is smaller than 0.05 ( $0.00 < 0.05$ ).

In the t-test (partial test) in Table 4, the prob. t value of the world military expenditure variable (X1) is 0.065 where the value is greater than 0.05 ( $0.065 > 0.05$ ) and the t value is negative (-1.921). This can explain why world military spending has no significant effect and has a negative relationship with Indonesia's economic growth. Geopolitical uncertainty due to various threats disrupts the investment climate and global trade distribution which can hamper economic growth. While the value of the inflation rate in Indonesia at prob. t of 0.000 where the value is smaller than 0.05 ( $0.000 < 0.05$ ) and t is negative (-7.300), it can be concluded that the inflation rate that occurs in Indonesia has a significant effect and has a negative relationship to Indonesia's economic growth and runs negatively, namely if the inflation rate rises, economic growth will decrease.

**Table 4.** Model Feasibility Test (t-test & model interpretation)  
(Processed by the Author with IBM SPSS 25)

Model	B	Std Error	t	Sig.
Constant	.107	.022	4.827	.000
X1	-2.451E-5	.000	-1.921	.065
X2	-.249	.034	-7.300	.000

The multiple linear regression model resulting from the research in Table 4 is as follows:

$$Y = 0.107 - 2.451E-5 X1 - 0.249 X2 + e$$

The equation above explains that if the value of world military expenditure and inflation in Indonesia is constant, then economic growth will increase by 0.107.

## CONCLUSIONS, RECOMMENDATIONS, AND LIMITATIONS

From the discussion above, it can be concluded that several things are obtained from the results of data analysis regarding the influence and implications of this study as follows:

- a. World military expenditure (X1) has no significant and negative effect on Indonesia's economic growth. On the procurement side of military equipment, an increase in world military spending may contribute to Indonesia's import dependence of military equipment and technology which has an impact on increasing the trade deficit in military equipment. This is because most of the necessary military equipment must be imported from other countries and Indonesia is still one of the largest importers in the Defense Industry in the world. Meanwhile, in terms of economic uncertainty, the increase in world military spending can create uncertainty among investors and business people. The implications of this uncertainty can be detrimental to the Investment climate, which can hinder economic growth in the long run, and limit the ability of the private sector to contribute to Indonesia's economic growth.
- b. The Inflation Rate in Indonesia (X2) has a significant and negative effect on Indonesia's economic growth. So, if the inflation rate is reduced or the inflation target set by the government is achieved, it will affect the increase in Indonesia's economic growth. This event can be seen in the 1998 economic and monetary crisis where the uncontrolled inflation rate of up to 77.6% caused Indonesia's economic growth to slow down and fall to -13.13%. Therefore, the inflation rate can be said to be an important indicator

of the economy. A stable inflation rate creates a healthy economy, while a high inflation rate due to economic uncertainty results in rising prices of goods, which is detrimental to economic growth.

- c. World military expenditure (X1) and the inflation rate in Indonesia (X2) simultaneously or together have a significant influence on Indonesia's economic growth (Y) by showing the interaction or combination effect of these two variables on economic growth. This result is supported by the coefficient of determination test which reaches 65.9% and the F test ( $.000 < 0.005$ ) which shows the significance of the model as a whole. World military expenditure (X1) and the inflation rate in Indonesia (X2) may interact or reinforce one another to affect Indonesia's economic growth (Y). Even though the majority of world military expenditure is allocated to nations for defense, Indonesia's high inflation rate could have an additional impact on how this spending impacts the country's economy. Depending on how the two factors interact, high inflation may reduce the effectiveness of military spending while increasing world military expenditure may offer some economic boost.

Recommendations from the study are as follows:

- a. The increase in world military expenditure should be beneficial for increasing Indonesia's economic growth and become an opportunity to stimulate the Indonesian Defense Industry in a strategy to increase sales and modern technological innovations in military equipment made to have competitiveness at the global level with other countries' defense industries through defense budget support. In addition, collaboration between the defense industry and the private sector or domestic universities is needed for technology development.
- b. The increase in world military expenditure is also accompanied by an increase in the defense budget in Indonesia, therefore the Indonesian government needs to increase investment in major military equipment made by the domestic Defense Industry so that the increase in the defense budget or military expenditure can contribute to Indonesia's economic growth,
- c. The utilization of the national defense budget also needs to be supported by good governance with more effective and efficient defense programs, as well as skilled and productive human resources.
- d. The government also needs to maintain the target inflation rate set so that production costs in the defense industry and other supporting industries can be reduced. With stable inflation, prices remain stable, and people's purchasing power increases, especially in the real sector, which can boost Indonesia's economic growth.

The results of this study are expected to provide benefits for the government and other stakeholders in managing the defense budget used for the military not only to modernize defense equipment but also to maintain the country's trade deficit. Therefore, the strategy of defense independence through the development of the domestic defense industry needs to be done quickly and precisely to reduce dependence on imported defense equipment. Restrictions in this study on the variables of world military expenditure, inflation, and economic growth. For further research in the future, it can provide additional analysis of the development of the national defense industry.

## REFERENCES

- Aida, A. N. (2022). *Potret Industri Pertahanan Indonesia* (No. 02/ref.PKA/VI/2021). Jakarta. Retrieved from <https://berkas.dpr.go.id/puskajianggaran/kajian/file/kajian-226.pdf>
- Azam, M. (2020). Does Military Spending Stifle Economic Growth? The Empirical

- Evidence from Non-OECD Countries. *Heliyon*, 6(12), 1–10. <https://doi.org/10.1016/j.heliyon.2020.e05853>
- Bureau of Budget Analysis and Implementation of the House of Representatives of the Republic of Indonesia. (n.d.). *Analisis Keberadaan Tradeoff Inflasi dan Pengangguran (Kurva Phillips) di Indonesia*. Retrieved from [https://berkas.dpr.go.id/setjen/dokumen/apbn\\_analisis\\_keberadaan\\_tradeoff\\_inflasi\\_dan\\_pengangguran\\_\(kurva\\_phillips\)\\_di\\_indonesia20140821142142.pdf](https://berkas.dpr.go.id/setjen/dokumen/apbn_analisis_keberadaan_tradeoff_inflasi_dan_pengangguran_(kurva_phillips)_di_indonesia20140821142142.pdf)
- Central Bureau of Statistics. (2024). Tingkat Inflasi Tahun ke Tahun Gabungan 90 Kota 1 (2018=100). Retrived January 30, 2024 from Central Bureau of Statistics website : <https://www.bps.go.id/id/statistics-table/1/ote1ize=/tingkat-inflasi-tahun-ke-tahun-gabungan-90-kota--sup-1--sup---2018-100-.html>.
- Hartati, N. (2020). Pengaruh Inflasi dan Tingkat Pengangguran Terhadap Pertumbuhan Ekonomi di Indonesia Periode 2010-2016. *Jurnal Ekonomi Syariah Pelita Bangsa*, 5(1), 92–119. <https://doi.org/10.37366/jespb.v5i01.86>
- Hutahaean, P. (2019). Belanja Negara dan Pertumbuhan Ekonomi Indonesia: Analisis Kointegrasi dan Kausalitas. *Kajian Ekonomi & Keuangan*, 3(2), 103–115. <https://doi.org/10.31685/kek.V3i1.411>
- Mahzalena, Y., & Juliansyah, H. (2019). Pengaruh Inflasi, Pengeluaran Pemerintah dan Ekspor Terhadap Pertumbuhan Ekonomi di Indonesia. *Jurnal Ekonomi Regional Unimal*, 2(1), 37–50. <https://doi.org/10.29103/jeru.v2i1.1742>
- Ministry of Defense of the Republic of Indonesia. (2015). *Buku Putih Pertahanan Indonesia*. Jakarta: Ministry of Defense of the Republic of Indonesia.
- Mubarok, A., Surjaatmadja, S., & Almubarq, H. Z. (2023). Dampak Pengeluaran Militer, Investasi, dan Pertumbuhan PDB Terhadap Kemiskinan di Indonesia. *Nusantara: Jurnal Ilmu Pengetahuan Sosial*, 10(10), 4755–4767. <https://doi.org/10.31604/jips.v10i10.2023.4755-4767>
- National Development Planning Agency. (2019). *Indonesia 2045: Berdaulat, Maju, Adil, dan Makmur*. Retrieved from [https://perpustakaan.bappenas.go.id/e-library/file\\_upload/koleksi/migrasi-data-publikasi/file/policy\\_paper/ringkasan\\_eksekutif\\_visi\\_indonesia\\_2045\\_final.pdf](https://perpustakaan.bappenas.go.id/e-library/file_upload/koleksi/migrasi-data-publikasi/file/policy_paper/ringkasan_eksekutif_visi_indonesia_2045_final.pdf)
- O'Neill, A. (2023). Indonesia: Inflation Rate from 1987 to 2028. Retrieved January 30, 2024, from Statista website: <https://www.statista.com/statistics/320156/inflation-rate-in-indonesia/>
- Pramono, B., & Prakoso, L. Y. (2022). *Perang Ekonomi Rusia vs Ukraina*. Garut: CV Aksara Global Akademia.
- Sabana, D. R., Maharani, C., & Gindarsih, I. (2023). *Tren Pasar Senjata Global dan Pengembangan Industri Pertahanan Indonesia*. Jakarta: Laboratorium Indonesia 2045.
- Salim, A., Fadilla, & Purnamasari, A. (2021). Pengaruh Inflasi Terhadap Pertumbuhan Ekonomi Indonesia. *Ekonomica Sharia: Jurnal Pemikiran Dan Pengembangan Ekonomi Syariah*, 7(1), 17–28. <https://doi.org/10.36908/esha.v7i1.268>
- Saputro, G. E., Rivai, A. M., & M. (2021). Pengaruh Anggaran Pertahanan, Impor Alutsista, Ekspor Alutsista, dan Inflasi Terhadap Pertumbuhan Ekonomi Indonesia Tahun 1980-2019. *Jurnal Ekonomi*, 23(2), 103–115. <https://doi.org/10.37721/je.v23i2.801>
- Simanungkalit, E. F. B. (2020). Pengaruh Inflasi Terhadap Pertumbuhan Ekonomi di Indonesia. *Journal of Management (SME's)*, 13(3), 327–340. <https://doi.org/10.35508/jom.v13i3.3311>
- Stockholm International Peace Research Institute. (2023). SIPRI Military Expenditure

- Database. Retrieved December 27, 2023, from <https://www.sipri.org/databases/milex>
- Sugiyono. (2013). *Metode Penelitian Kuantitatif, Kualitatif, dan R&D* (19th ed.). Bandung: Alfabeta.
- Susilo, A. K., Sari, D. W., Putra, I. N., & Pratiwi, N. (2022). Economic Growth and Military Expenditure In Developing Countries During Covid-19 Pandemic. *Applied Econometrics and International Development*, 22(1), 19–38. Retrieved from <https://scholar.unair.ac.id/en/publications/economic-growth-and-military-expenditure-in-developing-countries->
- Wiriani, E., & Mukarramah. (2020). Pengaruh Inflasi dan Kurs terhadap Pertumbuhan Ekonomi Indonesia. *Jurnal Samudra Ekonomika*, 4(1), 41–50. <https://doi.org/https://doi.org/10.0123/jse.v4i1.2222>
- World Bank. (2023). GDP growth (annual %) - Indonesia. Retrieved December 28, 2023, from The World Bank website: <https://data.worldbank.org/indicator/ny.gdp.mktp.kd.zg?locations=ID>. Date accessed 03/01/2024.
- Yusgiantoro, P. (2014). *Ekonomi Pertahanan*. Jakarta: Gramedia Pustaka Utama.
- Yusuf, A. M. (2014). *Metode Penelitian Kuantitatif, Kualitatif & Penelitian Gabungan* (1st ed.). Jakarta: Kencana.