



The Impact of Investment on Economic Growth and Employment Absorption

Dini Khairani Harahap¹, Sukma Febri Yanti Gultom², Ainun Mardiah

^{1,2,3}Universitas Islam Negeri Syekh Ali Hasan Ahmad Addary Padangsidempuan

e-mail: dinikhairanimdl127@gmail.com; sukmafebriyantigultom25@gmail.com;
ainunmardiahnst99@gmail.com

Abstract

This journal examines the impact of investment on economic growth and employment absorption based on previous literature. The primary objective is to understand how both domestic and foreign investments influence economic expansion and job creation. The methodology includes a systematic review of empirical studies and relevant economic theories, along with comparative analysis across different countries and time periods. Results indicate that increased investment is positively correlated with rapid economic growth and higher employment rates, particularly in manufacturing and service sectors. However, the effects are also influenced by institutional factors and government policies. These findings highlight the importance of investment policies that support a conducive business climate and economic stability to foster sustainable growth and reduce unemployment. This literature provides valuable insights for policymakers and economic actors in formulating development strategies based on investment.

Keywords: investment, economic growth, employment absorption, economic literature, development policy.

INTRODUCTION

Investment is one of the key factors in driving a country's economic growth. Through investment, available capital can be utilized to expand production capacity and improve overall economic efficiency. Investment not only includes expenditures for the construction of new facilities but also encompasses spending on machinery, technology, and human resources that enhance productivity. Therefore, the availability of sufficient and high-quality investment is essential for accelerating the process of economic development. When investment functions effectively, the economy experiences increased output, national income rises, and the welfare of society can be improved (Hannafi & Daud, 2024).

Sustainable economic growth largely depends on the level of investment undertaken by both the government and the private sector. High and productive investment can stimulate income growth and generate positive multiplier effects across various sectors of the economy. Furthermore, investment directed toward productive sectors can create new employment opportunities and reduce unemployment rates. As employment absorption increases, public welfare tends to improve, and social inequality can be minimized. Therefore, investment plays a strategic role in enhancing people's quality of life and accelerating national development (Athallah et al., 2025).

Employment absorption is an

important indicator in assessing the success of economic growth. Higher levels of investment are generally followed by an increase in the number of workers absorbed across various economic sectors. This demonstrates that investment can serve as a driving force in creating broad and sustainable employment opportunities. Particularly in the industrial and service sectors, investment can expand production capacity, enabling more people to be employed. Thus, increased investment not only contributes to quantitative economic growth but also improves the quality of life through the creation of decent employment opportunities.

However, the impact of investment on economic growth and employment absorption is not always direct or automatic. Other factors, such as political stability, supportive government policies, adequate infrastructure, and international market conditions, also influence the effectiveness of investment. If these factors are not conducive, the benefits of investment may not be fully realized, and both economic growth and employment absorption may be hindered. Therefore, the government's role in creating a stable and favorable investment climate is crucial to ensuring that investment generates positive long-term outcomes (Arti & Setiawati, 2024).

Various empirical studies indicate that Foreign Direct Investment (FDI) has a positive impact on economic growth and job creation. Foreign investment can introduce modern technology, knowledge, and management practices, thereby increasing the efficiency and

productivity of the sectors that attract it. Meanwhile, domestic investment is equally important because it strengthens the national economic base and reduces dependence on foreign capital. The combination of both forms of investment can create a synergistic effect that accelerates economic growth and sustainably increases employment absorption.

In the context of developing countries such as Indonesia, investment serves as one of the primary strategies for achieving inclusive and sustainable economic development. The government seeks to enhance domestic investment and attract foreign investment through various incentives and policy reforms. This approach aims to ensure that economic growth is not only rapid but also capable of generating broad and equitable employment opportunities across all regions. Consequently, investment becomes a vital instrument for strengthening the national economic structure and expanding access to decent employment opportunities, thereby improving societal welfare.

Nevertheless, it cannot be denied that investment also involves certain challenges and risks. Global economic uncertainty, exchange rate fluctuations, and unstable regulations can hinder investment growth and reduce its benefits. In addition, the uneven distribution of investment across regions and sectors may contribute to economic and social disparities. Therefore, the government's role in regulating and supervising investment activities is essential to ensure that the benefits

of investment are distributed fairly and sustainably. Appropriate and consistent policies will help enhance investor confidence and support inclusive economic growth.

In addition to external factors, the effectiveness of investment is also greatly influenced by the quality of human resources and available infrastructure. Investment directed toward human resource development through education and training can enhance workforce capacity and productivity. Likewise, adequate infrastructure such as roads, ports, and information technology facilities can facilitate the distribution of goods and services while attracting more investment. Therefore, sustainable infrastructure development and improvements in human resource quality should be prioritized within national investment strategies.

The equitable distribution of investment and its orientation toward productive and sustainable sectors are crucial to ensuring that its benefits are enjoyed by all segments of society. Investment concentrated in only one region or sector may lead to inequality and fail to generate widespread economic benefits. Therefore, policies that promote balanced investment distribution should be prioritized, including the development of underdeveloped regions and potential economic sectors. In this way, economic growth will not only increase quantitatively but also improve in quality and contribute to comprehensive societal welfare.

METHOD

In preparing this study on the impact of investment on economic growth and employment absorption, the literature review methodology serves as the primary research approach. This method involves collecting, reviewing, and analyzing various relevant sources, including scientific literature, official reports, journal articles, and policy documents that discuss related aspects of the topic. The objective is to obtain a comprehensive understanding of the relationship between these variables and the factors that influence them.

The first step in this methodology is the identification of credible and relevant literature sources. Sources are selected through searches of academic databases such as Google Scholar, JSTOR, ScienceDirect, and university library databases. The keywords used include “investment,” “economic growth,” “employment absorption,” as well as related terms such as “impact,” “influence,” and “driving factors.” In addition, official documents from government institutions and international organizations are included to obtain current and reliable data and analyses.

After the relevant literature has been collected, the next stage involves conducting a critical evaluation of the content and quality of each selected document. This evaluation includes assessing the validity of the data, the research methodologies employed, and the relevance of the studies to the title and focus of the research. Literature characterized by clear

methodologies, valid data, and comprehensive analyses is prioritized as the primary reference for this study. This process is intended to ensure the accuracy and reliability of the resulting analysis.

Subsequently, a synthesis analysis is conducted on the various research findings and theories identified in the literature. This analysis aims to identify patterns, similarities, and differences among the findings of different studies. Through this process, the causal relationships between investment, economic growth, and employment absorption can be mapped, along with the factors that moderate or mediate these relationships. This approach also assists in identifying research gaps and areas that require further investigation.

During the analytical process, the researcher also considers relevant theoretical frameworks, such as investment theory, economic growth theory, and labor economics theory. These theoretical frameworks serve as the foundation for understanding and interpreting the findings of the existing literature. Consequently, the analysis is not merely descriptive but also interpretative and theoretical, providing a strong basis for drawing conclusions and formulating recommendations.

Furthermore, it is important to evaluate the geographical and temporal contexts of the literature used. The impact of investment on economic growth and employment may vary depending on a country's conditions, the time period under consideration, and its level of economic development. Therefore, studies from

different countries and periods are analyzed comparatively to gain a more comprehensive and objective understanding of the phenomenon.

The entire process of literature collection and analysis is organized within a systematic, transparent, and accountable framework. Comprehensive documentation of the sources used, selection criteria, and analytical procedures is maintained in detail. This is intended to ensure the validity of the study and to provide a valuable reference for future research. Through a systematic and comprehensive literature review methodology, this study is expected to provide an accurate and in-depth understanding of the impact of investment on economic growth and employment absorption.

RESULTS AND DISCUSSION

Definition and Types of Investment

Investment refers to the activity of allocating capital or economic resources with the objective of generating returns in the future. In general, investment aims to increase the value of assets and the income generated from those assets. In the context of macroeconomics, investment plays a crucial role as one of the main components in the formation of Gross Domestic Product (GDP). Investment is not limited to the financial sector; it also includes physical, human capital, and social investments, all of which have direct impacts on national development. Through investment, an economy can expand and enhance

its competitiveness in the global market (Ardianta Perangin Angin et al., 2025).

Investment can generally be classified into two main categories: domestic investment and foreign investment. Domestic investment is undertaken by economic actors within a country, including local companies, individuals, and government institutions. In contrast, foreign investment involves capital inflows from other countries for purposes such as infrastructure development, industrial expansion, and other economic activities. These two types of investment have different impacts on the national economy, particularly in terms of job creation and their effects on the country's balance of payments. Therefore, investment management must be carried out effectively to ensure that its benefits are optimized (Aini et al., 2024).

Furthermore, investment can be categorized according to its duration into short-term and long-term investments. Short-term investments are generally made to achieve quick returns and have relatively short payback periods, such as stock trading or foreign exchange transactions. On the other hand, long-term investments focus on sustainable development and economic stability, including the construction of factories and large-scale infrastructure projects. This distinction is important because each type carries different levels of risk and potential returns, requiring alignment with the investor's objectives and risk profile.

Investment also takes various forms, ranging from physical investment in tangible assets such as machinery and buildings to non-physical investment in financial instruments such as

securities, bonds, and stocks. Non-physical investments are generally financial in nature and function as tools for risk management and liquidity enhancement for economic actors. Both forms of investment play significant roles in strengthening the economic structure and promoting sustainable growth. An appropriate combination of physical and non-physical investments can maximize the benefits for a country's economic development.

Risk and rate of return are among the primary considerations when selecting an investment type. High-risk investments generally offer greater profit potential but also involve a higher likelihood of significant losses. Conversely, relatively safe investments tend to provide stable but lower returns. Therefore, decision-makers must carefully assess their risk tolerance and align their investment strategies with their financial objectives. Effective risk management is essential to ensure that investments generate optimal benefits without exposing investors to excessive losses.

Beyond economic gains, investment also produces significant social impacts. Through investment, governments and economic actors can expand production capacity, create employment opportunities, and increase overall community income. These outcomes directly contribute to improving living standards and promoting equitable welfare distribution. Consequently, effective and efficient investment management is essential to ensure that its benefits are enjoyed by all segments of society. Government policies that support a favorable

investment climate are also critical determinants of success in achieving inclusive economic development.

The primary challenge in investment is ensuring that invested funds generate optimal benefits without creating excessive risks. Strong regulatory frameworks, fiscal incentives, and policies that promote a conducive investment environment are necessary to increase both the quantity and quality of investments entering the national economy. With proper management, investment can serve as a major driving force for sustainable and inclusive economic growth. Therefore, all stakeholders must collaborate in creating a healthy and productive investment ecosystem.

Economic Growth

Economic growth is a key indicator that reflects a country's increasing capacity to produce goods and services over time. In simple terms, economic growth is measured by the increase in Gross Domestic Product (GDP) or Gross National Product (GNP) within a specific period. Such an increase indicates that the economy is becoming more capable of meeting the needs of its population and improving overall welfare. Stable and sustainable economic growth is a primary objective of national development, as it enables prosperity to be enjoyed broadly by all citizens (Hannafi & Daud, 2024).

The concept of economic growth does not focus solely on the quantity of output but also emphasizes the quality of development. Development quality includes income distribution, poverty reduction, and environmental

sustainability. Therefore, healthy economic growth is growth that provides benefits equitably and does not lead to environmental degradation. Development strategies that prioritize sustainability ensure that economic growth is not merely temporary but can be maintained over the long term (Mustika & Khairani, 2025).

Several factors influence economic growth, including natural resources, labor, capital, technology, and government policies. Abundant natural resources can provide a competitive advantage; however, they must be managed wisely to prevent environmental damage. A skilled and productive workforce enhances production efficiency, while capital investment and technological innovation accelerate output growth. Policies that support innovation and investment are essential for stimulating and accelerating economic growth (Manra et al., 2023).

The importance of innovation and technology in the economic growth process cannot be overlooked. Technological advancement enables improvements in efficiency and productivity while creating access to new markets that were previously unavailable. Countries that successfully integrate innovation into their production processes tend to experience faster and more sustainable economic growth. Therefore, developing competent and innovative human resources should be a priority within national economic growth strategies.

In addition to internal factors, external factors such as global economic conditions also influence economic growth. Instability in

international markets, fluctuations in commodity prices, and changes in global trade policies can significantly affect national economic performance. Consequently, countries must be capable of managing these external risks through economic diversification and sound macroeconomic stability policies. By doing so, economic growth can become more resilient to external shocks and continue sustainably.

To ensure that economic growth benefits society as a whole, development must be inclusive and equitable. Disparities in income distribution, access to education, and healthcare services should be minimized to prevent social inequalities that may hinder development. Governments need to implement policies that promote equitable distribution and strengthen the economic position of lower-income communities. In this way, economic growth becomes more than a statistical figure; it genuinely contributes to improving the quality of life for all citizens.

In addressing global challenges, countries must continuously adapt their development strategies to remain relevant and responsive. The effective utilization of technology, the development of human resources, and the sustainable management of natural resources are key factors in this process. Development that is oriented toward sustainability ensures that economic growth can endure and generate long-term benefits. Therefore, development management should be conducted holistically and guided by an inclusive and sustainable long-term vision.

Success in achieving high and sustainable economic growth depends greatly on the synergy

among all elements of development. Governments, businesses, and society must collaborate to create an environment that supports innovation, investment, and human resource development. Through appropriate policies and strong commitment, economic growth can become the primary driving force behind national prosperity and the realization of sustainable development goals.

The Relationship Between Investment and Economic Growth

The relationship between investment and economic growth is very close and mutually dependent. Investment serves as a primary factor that drives the expansion of production capacity and the development of economic resources. When investment increases, there is a direct addition of capital utilized in the production process, leading to a significant rise in output and Gross Domestic Product (GDP). In other words, investment functions as a catalyst that accelerates economic growth (Harahap et al., 2023).

Investment enhances capital accumulation, which is essential for expanding production capacity. Capital obtained through investment is used to acquire equipment, machinery, infrastructure, and human resource development programs, all of which contribute to improving efficiency and productivity. Adequate and efficiently allocated capital accelerates the development process and strengthens the national economic structure, enabling economic growth to occur in a stable and sustainable manner.

Furthermore, investment facilitates the introduction of new technologies and innovations that improve production efficiency. These technological advancements enable the production of goods and services at lower costs and with higher quality, thereby increasing the competitiveness of domestic products in international markets. The effective use of technology can also create new market opportunities and boost exports, both of which directly support sustainable economic growth.

In economic theory, this relationship is also explained through the concept of the multiplier effect. When investment occurs, not only do productive assets increase, but demand for goods and services also rises. This increased demand encourages firms to expand production, create additional employment opportunities, and raise household incomes. The multiplier effect generated by investment becomes one of the key drivers of sustained economic growth.

However, this relationship also has limitations when investment is carried out inefficiently or in non-productive sectors. Poorly targeted investments, coupled with political and economic instability, may generate losses and even hinder economic growth. Therefore, regulations, incentives, and policies that promote high-quality investment are essential to ensure that investment generates positive and sustainable outcomes.

Moreover, sustainable investment that focuses on human development and infrastructure strengthens the foundation for long-term economic growth. Expanding production capacity must be accompanied by improvements in the quality of

human resources to ensure that the benefits of growth are widely and equitably distributed. In this way, investment not only increases short-term output but also establishes a solid foundation for future economic development.

The relationship between investment and economic growth is a dynamic and complex process. Success in managing these two aspects depends heavily on government policies, a favorable business climate, and the active participation of all economic stakeholders. By optimizing productive and efficient investment, the national economy can achieve sustainable growth and improve the overall welfare of society.

In addition, investment contributes to structural transformation within the economy by shifting resources from less productive sectors to more productive and value-added activities. This transformation is particularly important for developing countries seeking to modernize their economies and enhance their competitiveness in the global marketplace. Through strategic investment in manufacturing, technology, education, and infrastructure, countries can accelerate industrialization and strengthen their long-term economic resilience.

Investment also plays a crucial role in attracting complementary economic activities. The establishment of new industries often stimulates the growth of supporting sectors such as transportation, logistics, finance, trade, and services. As these sectors expand, economic linkages become stronger, creating a broader base for economic growth. Consequently, the benefits

of investment extend beyond the initial project and contribute to overall economic development.

Furthermore, increased investment can enhance government revenues through higher tax collections resulting from expanded business activities and rising incomes. These additional revenues can then be allocated to public services such as education, healthcare, and infrastructure development, creating a virtuous cycle of growth and development. As a result, investment not only benefits private investors but also contributes to broader social and economic progress.

From a long-term perspective, countries that consistently maintain high levels of productive investment tend to experience higher economic growth rates than those with low investment levels. This is because continuous investment ensures the renewal of productive assets, encourages innovation, and improves overall economic efficiency. Therefore, fostering a strong investment climate should remain a central objective of national economic policy to support sustainable and inclusive growth.

The Impact of Investment on Employment Absorption

Investment has a significant impact on employment absorption within an economy. When a country or a company undertakes investment activities, production activities generally increase, creating a need for additional labor. This leads to the creation of new job opportunities across various sectors, including industry, services, and infrastructure. As a result, investment can reduce unemployment rates and increase household incomes both directly and indirectly. This impact is

crucial for achieving inclusive and sustainable economic development (Hariyadi et al., 2020).

Furthermore, investment in manufacturing and infrastructure sectors tends to require workers with varying levels of skills and competencies, ranging from unskilled laborers to highly qualified professionals and experts. The increased demand for labor not only raises individual incomes but also strengthens domestic consumption and accelerates national economic growth. Therefore, productive investment can help reduce social inequality and improve overall societal welfare (Harahap et al., 2025).

However, the impact of investment on employment absorption also depends on the type and nature of the investment undertaken. Capital-intensive and high-technology investments may require a workforce with advanced skills and higher educational qualifications. In contrast, investments based on manual labor and traditional production methods tend to absorb larger numbers of workers directly. Consequently, human resource development policies should be integrated with investment strategies to maximize the benefits of investment.

Another factor influencing the effect of investment on employment absorption is the efficiency and productivity of the investment itself. When investment is implemented efficiently and supported by technologies that enhance labor productivity, employment absorption becomes more optimal and sustainable. Conversely, inefficient investment that neglects technological advancement may have only a limited impact on employment

creation and could even contribute to structural unemployment.

The positive impact of investment on employment absorption can also strengthen social and political stability. When people experience the benefits of investment through job opportunities and increased income, they are generally more supportive of government policies and national stability. On the other hand, if investment fails to generate sufficient employment opportunities, social dissatisfaction and political instability may emerge, potentially leading to social conflict and a decline in the investment climate.

In addition, investment in sectors that support the development of Micro, Small, and Medium Enterprises (MSMEs) is particularly important for increasing employment absorption. MSMEs typically employ large numbers of workers and serve as the backbone of the national economy. By increasing investment in this sector, employment opportunities can be expanded, poverty can be reduced, and the competitiveness of the national economy can be enhanced.

The impact of investment on employment absorption is also influenced by macroeconomic conditions and the overall investment climate. When economic conditions are stable, government policies are supportive, and appropriate incentives are provided, investment is more likely to increase and generate positive employment outcomes. Conversely, economic uncertainty and unfavorable policies can discourage investment and reduce the number of jobs created.

The development of a competent and adaptable workforce is also essential for maximizing the

employment benefits of new investments. Training and educational programs should be strengthened to ensure that workers possess the skills required by modern industries and emerging technologies. In this way, the impact of investment on employment absorption becomes not only quantitative but also qualitative and sustainable over the long term.

Moreover, investment can generate indirect employment opportunities through its spillover effects on related industries and supporting sectors. For example, the establishment of a new manufacturing facility may create demand for transportation services, logistics providers, suppliers, maintenance services, and various other supporting businesses. These indirect effects further expand employment opportunities and contribute to broader economic development.

From a long-term perspective, sustained investment plays a critical role in building a resilient labor market. Continuous investment encourages business expansion, technological advancement, and industrial diversification, all of which contribute to the creation of stable and productive employment opportunities. Therefore, promoting a favorable investment environment and developing a skilled workforce should remain central priorities for policymakers seeking to enhance employment absorption and improve overall economic welfare.

Factors Influencing the Level of Investment

The factors influencing the level of investment within an economy are diverse and closely interconnected. One of the primary factors is the overall macroeconomic condition,

including inflation rates, political stability, and economic growth. When economic conditions are stable and demonstrate positive trends, investors tend to have greater confidence and are more willing to allocate their funds to investment activities. Conversely, economic uncertainty and political instability reduce investment interest due to the higher risks involved (Nababan & Purba, 2023).

Another highly influential factor is government policy related to fiscal incentives and taxation. Policies that provide tax incentives, simplify licensing procedures, and ensure legal protection can significantly enhance investment attractiveness. On the other hand, complicated regulations, excessive bureaucracy, and legal uncertainty may discourage investors and slow the flow of investment. Therefore, creating a favorable business environment is essential for promoting productive investment (Rahmawati & Nurjanana, 2021).

The availability of natural resources and infrastructure is also a crucial determinant in attracting investment. Adequate infrastructure, such as roads, ports, electricity networks, and communication systems, facilitates the production process and the distribution of goods and services. Similarly, abundant and well-managed natural resources serve as major attractions for both domestic and foreign investors. Without sufficient infrastructure and resources, investment activities are unlikely to develop optimally.

The level of education and the quality of human resources also play a significant role in influencing investment. A skilled and competent workforce

attracts investment in high-technology sectors and innovation-driven industries. In contrast, shortages of skilled labor and low educational quality can become major obstacles to increasing investment and enhancing national competitiveness. Therefore, human resource development should be an integral component of national investment strategies.

In addition to internal factors, external factors such as international market conditions, commodity price fluctuations, and global economic policies also influence investment decisions. When global markets perform positively and commodity prices remain stable or increase, both foreign and domestic investment tend to rise. Conversely, external uncertainties may create hesitation among investors and reduce capital inflows into the economy.

Cultural factors and public perceptions of investment also contribute to investment activity. When individuals and business actors hold positive attitudes toward investment opportunities and risks, they are generally more willing to invest. Conversely, a culture characterized by excessive skepticism and fear of risk may hinder the emergence of new investment initiatives. Therefore, continuous education and awareness campaigns regarding the importance and benefits of investment are necessary.

Monetary policy and interest rates are additional factors that significantly affect investment. Lower interest rates encourage businesses and individuals to borrow funds and invest, while higher interest rates tend to discourage investment due to the increased cost

of borrowing. Consequently, monetary policy should be managed carefully to support sustainable investment growth and economic development.

Environmental and sustainability considerations have also become increasingly important in investment decision-making. Investments that prioritize sustainability and environmental responsibility are often more attractive because they comply with international standards and enhance the reputation of both companies and countries. As a result, integrating sustainability considerations into investment strategies has become an essential aspect of modern investment planning.

Furthermore, access to financial institutions and capital markets significantly influences investment levels. A well-developed financial system provides businesses and individuals with easier access to funding, enabling them to undertake productive investments. Efficient banking systems, capital markets, and financial services help mobilize savings into investment activities, thereby supporting economic growth and development.

Technological advancement and digital transformation also play a growing role in attracting investment. Countries that possess advanced technological infrastructure, strong digital connectivity, and supportive innovation ecosystems are generally more attractive to investors. The adoption of digital technologies can reduce operational costs, improve efficiency, and create new business opportunities, making investment more profitable and sustainable in the long run.

Finally, investor confidence is a critical factor that underlies all investment decisions. Confidence

is shaped by a combination of economic stability, transparent governance, legal certainty, and future growth prospects. When investors believe that an economy offers a secure and profitable environment, investment activity is likely to increase. Therefore, maintaining trust through consistent policies and good governance is essential for sustaining investment growth and promoting long-term economic development.

The Impact of Investment on Economic Growth and Employment Absorption

Investment plays a crucial role in accelerating economic growth and increasing employment absorption. When investment rises, it generally leads to the expansion of production capacity, the development of infrastructure, and the growth of new industrial sectors. These processes contribute significantly to increases in Gross Domestic Product (GDP) while simultaneously strengthening the foundation of the national economy in the long term. Therefore, investment is widely regarded as a primary engine of sustainable economic growth (Yasir & Idariyani, 2024).

The positive impact of investment on economic growth can also be observed through the multiplier effect it generates. When investment occurs, not only do physical assets increase, but demand for raw materials and services also rises. This increased demand stimulates economic activity across various sectors, raises household incomes, and creates new employment opportunities. In other words, investment strengthens the entire economic structure and accelerates overall economic

growth (Zahra et al., 2025).

Furthermore, investment in infrastructure and technology sectors can significantly improve production efficiency and enhance the competitiveness of domestic products in international markets. New technologies introduced through investment help increase labor productivity and reduce production costs. As a result, economic growth improves not only in quantitative terms but also in terms of quality, efficiency, and global competitiveness.

The influence of investment on employment absorption is particularly evident when investments are labor-intensive and focused on sectors that employ large numbers of workers. Investments in industry, agriculture, and Micro, Small, and Medium Enterprises (MSMEs) directly create job opportunities, reduce unemployment rates, and increase community income. Consequently, investment serves as a strategic solution for addressing poverty and reducing social inequality (Zamzami et al., 2020).

However, these positive effects do not occur automatically. If investment is not implemented efficiently or is not supported by adequate human resource development, its benefits for economic growth and employment absorption may be limited. Therefore, policies that encourage high-quality investment and strengthen workforce capabilities must be implemented simultaneously to ensure optimal and sustainable outcomes.

Another factor that reinforces the positive impact of investment is economic stability and a favorable business environment. When economic conditions are stable, government policies are

supportive, and investment risks remain low, investment activity tends to increase and generate stronger effects on economic growth and employment creation. Conversely, economic uncertainty and unfavorable regulations can hinder investment flows and reduce their benefits for society.

The impact of investment on economic growth and employment absorption should be viewed from a holistic and sustainable perspective. Development strategies must integrate sustainability, innovation, and human resource development to ensure that the benefits of investment are broad-based, equitable, and long-lasting. In this regard, investment functions not only as a tool for short-term economic growth but also as a foundation for long-term national development.

Moreover, investment contributes to the diversification of economic activities by encouraging the emergence of new industries and business opportunities. Economic diversification reduces dependence on a limited number of sectors and enhances the resilience of the economy against external shocks. As investment expands into various sectors, opportunities for employment and income generation become more widespread, supporting balanced and inclusive development.

Investment also plays an essential role in strengthening regional economic development. Strategic investments directed toward underdeveloped and rural areas can reduce regional disparities, improve infrastructure accessibility, and create employment

opportunities for local communities. Such investments help distribute the benefits of economic growth more evenly across different regions, thereby promoting social and economic cohesion.

In the long run, sustained investment fosters innovation, productivity growth, and technological advancement, which are fundamental drivers of national competitiveness. Countries that consistently encourage productive investment tend to achieve higher levels of economic performance and better labor market outcomes. Therefore, maintaining an investment-friendly environment, strengthening institutions, and enhancing workforce quality are essential steps toward ensuring that investment continues to support sustainable economic growth and employment absorption for future generations.

CONCLUSION

In general, research findings and literature reviews indicate that investment has a significant influence on economic growth and employment absorption. When carried out optimally and sustainably, investment can increase production capacity, encourage innovation, and strengthen the national economic structure. Furthermore, productive investment creates new employment opportunities, reduces unemployment rates, and increases household income. Therefore, the successful management and promotion of investment are among the key factors in achieving stable, inclusive, and sustainable economic growth.

On the other hand, the positive impact of

investment is highly influenced by both internal and external factors, including political stability, government policies, infrastructure development, and the quality of human resources. If these supporting factors are weak or unfavorable, the potential benefits of investment may be significantly reduced. Consequently, stronger synergy among conducive public policies, human capital development, and infrastructure improvement is essential to maximize the contribution of investment to economic growth and sustainable job creation. With appropriate strategies and effective implementation, investment can serve as a primary driving force for equitable and long-term national economic development.

Moreover, investment should not be viewed solely as a source of capital accumulation but also as a strategic instrument for enhancing productivity, technological advancement, and social welfare. By directing investment toward productive sectors and ensuring its equitable distribution across regions, governments can promote balanced economic development and reduce regional disparities. In this way, investment contributes not only to higher economic output but also to broader social and economic progress.

Ultimately, sustainable economic growth and effective employment absorption require a comprehensive approach that integrates investment promotion with sound economic policies, workforce development, innovation, and environmental sustainability. Such an approach ensures that the benefits of investment

are widely shared and capable of supporting long-term prosperity. Therefore, fostering a favorable investment climate and encouraging productive investment should remain central priorities in national development strategies aimed at achieving inclusive and sustainable economic advancement.

REFERENCES

- Aini, W. R., Rahmahita, A., Utami, A. P., Salsabila, Z., Nurwahyuni, I., Fitriyani, S., & Wahyuni, R. (2024). Analisis pengaruh investasi dan tenaga kerja terhadap pertumbuhan ekonomi menurut provinsi di Indonesia tahun 2020. *AKUNTANSI* 45, 5(2). <https://doi.org/10.30640/akuntansi45.v5i2.3465>
- Ardianta Perangin Angin, B., Attauladan, M. R., Sihombing, S. N., Purba, D. N., Ompusunggu, D. P., & Suherman. (2025). Analisis kausalitas hubungan investasi dan tenaga kerja terhadap pertumbuhan ekonomi di Indonesia. *Jurnal Ilmiah Wahana Pendidikan*, 11(12), 50–56. <https://doi.org/10.30601/humaniora.v4i1.997>
- Arti, L. K., & Setiawati, R. I. S. (2024). Pengaruh investasi terhadap penyerapan tenaga kerja sebagai upaya meningkatkan pertumbuhan ekonomi. *Jurnal Bisnis Indonesia*, 15(2). <https://doi.org/10.29313/jrieb.vi.647>
- Athallah, N. A., Kusuma, A. S., Azzahra, R. D., Mukti, D. V., Rionanda, R. A. Z., Putri, A. S., & Rachmat, F. A. (2025). Pengaruh upah minimum, investasi, dan pertumbuhan ekonomi terhadap penyerapan tenaga kerja di Indonesia tahun 2015–2023. *Socius: Jurnal Penelitian Ilmu-Ilmu Sosial*, 2(11). <https://doi.org/10.29313/jrieb.vi.647>
- Hannafi, S., & Daud, A. (2024). Pengaruh investasi dan tenaga kerja terhadap pertumbuhan ekonomi Provinsi Sumatera Utara periode tahun 2011–2022. *Jurnal Ekonomi dan Keuangan Syariah*, 2(2), 74–84. <https://doi.org/10.14710/djoe.32630>

- Harahap, L. M., Harahap, G. K. D., Adilla, S. K., Syafika, & Abdullah, A. I. (2025). Pengaruh investasi terhadap pertumbuhan ekonomi dan penyerapan tenaga kerja di Indonesia. *ULIL ALBAB: Jurnal Ilmiah Multidisiplin*, 4(5), 1312–1319. <https://doi.org/10.56799/jim.v4i5.8643>
- Harahap, S. K., Harahap, Z., & Batubara, M. (2023). Pengaruh investasi terhadap pertumbuhan tenaga kerja dalam perspektif ekonomi makro syariah. *Syarikat: Jurnal Rumpun Ekonomi Syariah*, 6(2). [https://doi.org/10.25299/syarikat.2023.vol6\(2\).14824](https://doi.org/10.25299/syarikat.2023.vol6(2).14824)
- Hariyadi, S., Militina, T., & Djohan, S. (2020). Pengaruh investasi terhadap pertumbuhan ekonomi dan penyerapan tenaga kerja di Kota Samarinda. *Jurnal Ilmu Ekonomi Mulawarman*, 5(2). <https://doi.org/10.29313/jrieb.vi.647>
- Manra, A. H. S. J., Rusli, & Arsyad, M. (2023). Pengaruh tingkat investasi dan tenaga kerja terhadap pertumbuhan ekonomi. *AKUNTABEL: Jurnal Ekonomi dan Keuangan*, 20(4). <https://doi.org/10.35794/jpekd.23425.16.4.2014>
- Mustika, N., & Khairani, A. (2025). Pengaruh investasi terhadap penyerapan tenaga kerja di Indonesia. *Salam: Islamic Economics Journal*, 6(2). <https://doi.org/10.26740/independent.v5i2.72567>
- Nababan, T. S., & Purba, E. F. (2023). Labour absorption in manufacturing industry in Indonesia: Anomalous and regressive phenomena. *International Journal of Economics and Business Research*.
- Rahmawati, N. R., & Nurjanana. (2021). Pengaruh pertumbuhan ekonomi dan inflasi terhadap investasi serta penyerapan tenaga kerja. *Jurnal Ilmu Ekonomi Mulawarman*, 7(2). <https://doi.org/10.29313/jrieb.vi.647>
- Yasir, Z., & Idariyani. (2024). Pengaruh pertumbuhan ekonomi dan investasi terhadap penyerapan tenaga kerja sektor industri di Indonesia. *Jurnal Ilmiah Basis Ekonomi dan Bisnis*, 3(1), 1–21. <https://doi.org/10.57218/jueb.v2i2.600>
- Zahra, Z. N., Widyastutik, & Feryanto. (2025). Peran investasi terhadap pertumbuhan sektor pertanian dan penyerapan tenaga kerja di Provinsi Riau. *Jurnal Agribisnis Indonesia*, 13(2), 491–505. <https://doi.org/10.29244/jai.2025.13.2.491-505>
- Zamzami, W., Junaidi, & Prihanto, P. H. (2020). Pengaruh belanja modal dan investasi terhadap pertumbuhan ekonomi melalui kesempatan kerja di Provinsi Jambi. *Jurnal Paradigma Ekonomika*, 15(1), 115–124. <https://doi.org/10.22437/jpe.v15i1.9224>