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The Actualization of The Economic Movement: An Approach to The Study of Economic Growth in Indonesia

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Abstract : An indication of the success of a country's economic development is important to the attention of various parties. The potential gap in economic growth inequality between regions often occurs, sometimes in line with and sometimes not along with improvements in human development and other financial aspects. The purpose of our research is to identify the effect of Regional Original Revenue (PAD) and Human Development Index (HDI) on economic growth (GRDP). The data used in this study are secondary. The use of secondary data obtained from government agencies in the provincial and national environment, namely the Central Statistics Agency, in the form of panel data before the COVID-19 pandemic from 34 provinces in Indonesia for four years, 136 data observations applying regression analysis with Eviews 25 analysis tools in the form of panel data models pooling least square (PLS) / common effect, random effect and fixed effect. The results found that PAD partially affects GRDP while HDI has no significant effect on economic growth. Even though simultaneously the influence of PAD and HDI on economic growth is 73%, it is indicated by the results of the coefficient of determination R-square.

Keywords : Economic Growth, HDI, PAD.

INTRODUCTION

The Indonesian state, of course, constantly strives to improve the welfare and prosperity of the community. The government takes policy steps to improve welfare and prosperity, including development in various aspects of the field, both in the short and long term. Indicators of success in economic development can be reviewed from various approaches, including increasing Gross National Product (GNP). However, the success of economic growth also requires good integration between sectors in an economic business field (Saleh, 2022). Development is a continuous improvement process in a society or social system to achieve a better life (Goh & Mohd Aznan, 2023) (Tanda & Genc, 2024). Economic development is also a process of planned system change towards improvements whose final orientation is human and socio-economic development. To realize human development, it is

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also necessary to have a solid sustainable principle in terms of economic development (Davy & Saleh, 2024). The purpose of economic development, in addition to increasing national income, is also to increase human development, local revenue, and productivity income, which is reflected in the rate of economic growth of a country (Raihan et al., 2023) (Seward et al., 2022).

Economic growth is also a process where there is an increase in productivity or output in the long term (Trojanek et al., 2024) (Suartha, 2018). However, economic growth indicators can be measured using Gross Regional Domestic Product (GRDP) indicators (Mankiw, 2019). However, some indicators that are thought to affect economic growth in a region are also influenced by other aspects such as infrastructure, human resources, regional own-source revenue (PAD), human development index (HDI), and savings or investment. Indonesia's economic growth continues to increase; based on Indonesian statistics, the percentage of poor people by province in Indonesia has decreased from 23.43% to 11.47%. However, the problem of different economic growth between regions still occurs in Indonesia. This is a complex problem because various aspects influence it. The aspects that affect economic growth that are not the same in each region come not only from human aspects but also from natural aspects such as geographical characteristics and natural resource potential (Mohamed Kamal & AboElsoud, 2023). Uneven development between regions in Indonesia can also cause unequal economic growth between one region and another.

According to data from the Central Bureau of Statistics, there are difference in economic growth is indicated by the large contribution of GRDP on the island of Java which is 57.5%, followed by the island of Sumatra 18.06% and the rest of the contribution is in the eastern part of Indonesia based on data from the central statistics agency. The large contribution of GRDP in Java and Sumatra when compared to eastern Indonesia is due to differences in the quantity and quality of resources. It is also suspected that there is a misaligned relationship between indicators such as the rate of economic growth and economic inequality in Indonesia. The social movement that has been maintained to date qualitatively and quantitatively is the Youth Organization Movement (OKP), which is part of the human resources that has an excellent opportunity to guard and become the main subject for the realization of economic growth. However, all are not only measured quantitatively. According to researchers, this condition underlies the importance of studies on analyzing the effect of the Regional Original Revenue and Human Development Index on Economic Growth in Indonesia and the opportunity for the OKP Movement to be part of it.

Based on a study entitled local own-source revenue (PAD) and labor, its effect on GRDP with multiple regression model analysis shows that R2 is 63.21%. In the t test, the Regional Original Income variable partially affects but is not significant to GRDP, this is indicated by the regression coefficient of Regional Original Income of 2.653006, which means that every 1% increase in Regional Original Income means that GRDP will increase by 2.653% (Ngubane et al., 2023). According to a study entitled the effect of local revenue on GRDP and capital expenditure. The results of the calculation obtained a comparison of the sig value of the variable 0.000 <0.05, these results reveal the ability of local governments to implement regional autonomy looks quite good (Baidoo et al., 2023). The study entitled The Elasticity of Local own-source Revenue to Gross Regional Domestic Product (GRDP). This study uses a quantitative descriptive method; the decline in PAD from year to year is quite sensitive to changes in GRDP (Usman, 2023).

According to the study analyzing the effect of local revenue, DAU, and DAK on GRDP. The data shows that with the fixed effect model, the regression results with the Random effect model are known to be more appropriate because the cross-section F probability value in the LM test of 0.0000 is smaller than 0.05. Based on the Chow test results, the cross-section F probability value is smaller than 0.05, so it is concluded that the fixed effect model is more suitable. The random effect model is more appropriate because, based on the cross-section results, the F probability value in the Hausman test of 0.1456 is more significant than alpha 0.05. Simultaneously (F-statistics), all independent variables, such as local revenue, significantly affect GRDP. While the Partial test approach (t-test) shows the coefficient of the regional revenue variable on GRDP is negative -0.066841 with a probability of 0.1315 with a confidence level of 5% and the coefficient of determination shows an R-squared of 0.57, it is understood that 57% of independent variables such as local revenue and two other variables can explain the GRDP variable (Suleman & Ennin, 2024).

Research entitled The Effect of Local Revenue on GRDP and district/city capital expenditure. The data period was 2008-2012, and data analysis techniques used path analysis. The results of the influence of PAD on GRDP show that it is significant. Namely, the ability of local governments to implement regional autonomy is quite reasonable based on the sig value of the PAD variable of 0.000, which is smaller than 0.05 (Suartha, 2018). Based on a study entitled Analysis of the Effect of Local own-source Revenues, Special Autonomy Funds, and Capital Expenditures on Relevant GRDP with a sample of 28 districts and one city. The results of Chow and Hausman regression state that the best model is fixed effect

with a probability of 7877.436 greater than 0.05, which means that it shows that the variable local revenue and the two independent variables are zero, it will increase the Gross Regional Domestic Product by 78777436%. The probability value of 0.0000 is more minor than alpha 0.05, so it is concluded that the fixed effect model is more suitable for use. The t-test results show that the regional own-source revenue variable has a probability of 0.0495 and a coefficient of 0.076579, meaning that PAD significantly positively affects gross domestic product. According to the results of the F test, it shows the F count is more significant than F table, namely 5630.7799507> 3.37; it is concluded that all independent variables affect gross domestic product, and based on the results of the R-squared test value, the coefficient of determination is 0.822726, which means that a total of 82.27% of gross regional domestic product can be explained by independent variables and other variables outside the model can explain 17.73% (Anwar et al., 2018).

Based on the background and overview related to economic growth in Indonesia above, the study's central question is whether Regional Original Revenue (PAD) and the Human Development Index (HDI) affect economic growth (GRDP). A study hypothesis is presented to direct the results of the study. This hypothesis will be tested, and the results of this test will be used as input in determining policies to increase economic growth. A *hypothesis* is a statement that is put forward and is still weakly valid. Hypotheses are also seen as temporary conclusions. Based on several studies, regional original revenue positively and significantly affects economic growth in gross regional domestic product. This is also in line with several other studies. So based on the results of some of these studies, there is a hypothesis with H1 = Regional Original Revenue will be influential and significant and a hypothesis with H2 = Human Development Index has a positive and significant effect on Gross Regional Domestic Product.

RESEARCH METHODS

Research methods, The data used in this study are secondary. The use of secondary data is obtained from government agencies in the provincial and national environment, namely, the Central Statistics Agency, seen based on time; the data of this study uses Panel Data data because if the data is a combination of time-series data and cross-section data, it is referred to as panel data (Wooldridge, 2015). This study uses cross-sectional data for 34 provinces because it is national, according to the provinces in Indonesia. Moreover, the time series is determined for the last four years before the pandemic. So, the number of

observations in this study amounted to 136 observations. Then, the data analysis used is panel data regression analysis and uses the Eviews 25 analysis tool.

The element in this study is the dependent variable, the Regional Domestic Product (GRDP), by the province in Indonesia (national). GRDP is used according to 17 business fields and presented in the form of an assessment based on constant prices, which is based on the price of a particular base year, the GRDP (Y) with units of Rupiah (Rp). Meanwhile, the independent variables include aspects of Regional Original Revenue (PAD), which is the revenue obtained by the region, which is levied based on local regulations by statutory regulations for the region concerned in financing activities, and the PAD (X1) with units of Rupiah (Rp). The Human Development Index (HDI) understands how the population can access development outcomes in terms of income, health, education, and so on. The HDI is formed by three basic dimensions, namely longevity and healthy living, knowledge and decent living standards. The HDI (X2) with units of numbers are <60 (low), 60 ≤ HDI <70 (medium), 70 ≤ HDI <80 (high) and ≥80 (very high). The study uses a panel data regression framework in addition to the classical assumption test, there is Pooling Least Square, random effects approach and fixed effects approach.

RESULTS AND DISCUSSION

The determination of the Chow test is indicated by the p-value <5%, indicating that the Chow test is significant and the appropriate model to apply is the fixed effect approach model, but if the result is> 5%, the Common Effect model is more appropriate to apply.

Table 1. Chow Test Results

Cross-section F	d.f	Prob	Description
1,418909	(33,100)	0.0095	Fixed Effect

The results show that the probability (p-value) on Cross-section F is 0.00 from 1.42. Based on these results, the study applied a fixed effects model. Based on the p-value when <5%, it is concluded that the Hausman Test is significant and the fixed effects model can be continued. On the other hand, if the p-value > 5%, the random model is more appropriate.

Table 2. Chow Test Results

Cross-section random (chi-sq statistic)	Chi-Sq. d.f	Prob	Description
12,486232	2	0.0019	Fixed Effect

Based on the Hausman test above, the prob value of 0.0019 <0.05 shows that the model used in this study has a fixed effect, so the Lagrange multiplier (LM) test is not needed.

LN_PDRB	=	14,94828+ 0,704083LN_PAD – 0,031475IPM
t-Statistic	=	(8,453573) (12,18349) (-1,727430)
Ajd R^2	=	0,730315

The data above shows the value results with a regression equation of 14.94828, a PAD variable (LN_PAD) of 0.704083, and an HDI variable of -0.031475. Then there is the standard error value of each variable with a total of 1.768280, including the PAD (LN_PAD) variable of 0.057790 and the HDI variable of 0.018221 to conduct a partial significance test carried out by the t-test, which will show the significance of the influence of each independent variable on the dependent variable. The result of the t-critical value is determined based on the degree of freedom level n-k, with an error rate or alpha of 5%, then the result is 136 - 3 = 133 then the t-table = 1.65639. There is t count < t table, it can be understood that H0 is accepted and Ha is rejected. Based on the results of testing the PAD variable hypothesis (LN_PAD), there is a value of 12.183 > a value of 1.656. It is interpreted that the PAD variable accepts HA and rejects H0, it can be concluded that the PAD variable has a positive and significant effect on GRDP in Indonesia. This is to the findings in the research discussion (Ngubane et al., 2023) (Usman, 2023) (Suleman & Ennin, 2024) (Suartha, 2018) (Anwar et al., 2018), although it is not the same as the findings of the research discussion (Baidoo et al., 2023).

Regional Original Revenue obtained by each region that is levied based on local regulations that run well turns out to be very helpful in fulfilling the needs of the region concerned in financing the activities of the region so that several business sectors also experience an increase, which has an impact on increased economic growth. Government Financial Statistics (PAD) by Province in Indonesia shows that the realization of total provincial government revenue throughout Indonesia continues to increase; it is known that PAD to provincial government revenue from 2016 to 2019 ranged from 40% to 60%, indicating that the independence of provinces in Indonesia in these years is categorized as moderate to high, in line with economic growth (GRDP) by business field experiencing significant growth. A coefficient value of 0.704 indicates a positive coefficient value, which means that each use of PAD 1 rupiah will increase the number of provincial GRDP figures in Indonesia by 0.704 rupiah.

The HDI variable has a t-count value of -1.727 which is smaller than the t-table value of 1.656. Since the HDI variable accepts H0 and rejects HA, it can be concluded that the variable. The results of testing the HDI variable hypothesis have a coefficient value of -0.031;

these results indicate a negative coefficient value. Then, it is necessary to do a simultaneous test (F test) known by comparing the value of the F statistic with the F-critical. When the F-statistic value> critical F, it shows that simultaneously, the independent variable affects the dependent variable. How to get F table with df 1 (numerator) = k - 1 = 3-1 = 2, df 2 (cause) = n - k = 136 - 3 = 133 with alpha 0.05 (5%) F table = 3.06.

Table 3. F Test Results

Variabel	F-statistik	F-tabel	Description
PAD IPM	11,44525	3,06	Significant Effect

Based on the f test above, it shows that F count> F table, H¬0 is rejected, and HA is accepted. So, it can be concluded that PAD and HDI simultaneously or together significantly affect GRDP by province in Indonesia. Based on the data R2 shows 0.730315, it means that the independent variables PAD (LN_PAD) and HDI can explain GRDP (LN_PDRB) by 73.03%. The results of the analysis show that local revenue has a significant effect on economic growth by province in Indonesia. So, to increase the growth rate, we provide the following suggestions, even though the HDI aspect has no positive and insignificant effect on GRDP in Indonesia. HDI is an essential indicator in efforts to measure the success of achievements in building the quality of human life. Most provinces in Indonesia are still in the category of moderate HDI achievements and there are even provinces that are in the category of low HDI achievements. Several aspects, such as physical security, political participation, access to technology, freedom of expression, and various other aspects, are included in 3 dimensions: longevity and healthy living, knowledge, and decent living standards.

These indicators in Indonesia still need to be optimized, which is why the Human Development Index does not have a positive and insignificant effect on GRDP in Indonesia. The existence of consistency in the actualization of the Youth Organization Movement, precisely in the scientific and community realms, will be very significant in accelerating the improvement of Indonesia's current and future HDI. The results showed a significant influence of Regional Original Revenue on economic growth, in this case, GRDP, according to provinces in Indonesia. Provincial governments in Indonesia are expected to be able to increase PAD naturally by openly holding collaborative movements with Youth Organizations for optimal utilization of existing regional potential in terms of fiscal, regional levies, the results of blood-owned companies, and management of separated regional assets and other legitimate local revenues. The results of the research study as an alternative for

decision making in economic policy making both in the actualization approach of the Youth Organization Movement in particular.

CONCLUSION

Based on the analysis of economic growth by the province in Indonesia, there are several conclusions, including partial (T-test) PAD having a natural effect on GRDP. In contrast, HDI has no natural effect on economic growth or GRDP by the province in Indonesia. Together or simultaneously (F test) on Regional Original Revenue and the Human Development Index affect economic growth by province in Indonesia. A coefficient of determination or the effect of R2 shows that economic growth can be influenced or explained by PAD and HDI in 73.3%.

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