

THE EFFECTS OF HUMAN DEVELOPMENT INDEX AND INFLATION ON ECONOMIC GROWTH IN SOUTH SUMATRA PROVINCE

¹Sayyid Muhammad Abdurrahman, ²Muhammad Fazal Rizvi, ³Maya Panorama
^{1,2,3} Fakultas Ekonomi Syariah, UIN Raden Fatah Palembang

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E-mail:

rizvicrispy@gmail.com

ABSTRACT

This study aims to determine and analyze the effect of the human development index (HDI) and inflation on economic growth in South Sumatra Province. This type of research is quantitative using secondary data obtained from the South Sumatra Central Bureau of Statistics in the 2015-2021 period. The data was analyzed by multiple linear equation analysis with the help of the Eviews 9.0 program. This study analyzes partially that the human development index has a positive and significant effect on economic growth in South Sumatra Province. Inflation partially has a negative and insignificant effect on economic growth in South Sumatra Province. And simultaneously the human development index and inflation have a positive and significant effect on economic growth in South Sumatra Province.

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1. INTRODUCTION

Development is a process towards change that is always sought to improve the welfare of the people in an area. The calculation of development results from the number of output indicators produced during a certain period. The role of the government is indispensable in successful national development activities in producing the utilization of human resources in the region concerned.

Development is needed to improve the welfare of the people in a region. One of them is humans or people who are wealth or basic capital in development. Human resources are an important role in the creation of a development that aims to make people healthy and able to run a productive life so that they can create a productivity. Utilization of human resources in their abilities must be optimized to the maximum in order to achieve sustainable development.

One indicator that can be used to measure the success of macro development implementation is economic growth. Generally used to see the success of the economic situation in a region is economic growth. The economic growth of a region can be seen from the results of the production process of goods and services in the region.

Economic growth is a process of continuous change in the economic condition of a country towards a better situation during a certain period. An economy is said to experience a change in its development if the level of economic activity is higher than that achieved in the previous period. Basically, economic growth is defined as a process of per capita output growth in the long term. This means that in the long run, welfare is reflected in an increase in per capita output which also provides many alternatives in consuming goods and services, and is followed by the increasing purchasing power of the community.

Therefore, the measurement of economic growth can be seen from the value of Gross Regional Domestic Product (GRDP), which is one of the important indicators in measuring the community in a region, whether it is prosperous or not. GRDP is also a condition for the achievement of human development because with development, the economy is guaranteed to increase productivity and increase income with the main goal of stabilizing prices (through controlling inflation) and avoiding the growth of unemployment.

It can be seen from graph 1 that the economic growth of South Sumatra Province in the last seven years, namely from 2015 to 2021, has continued to increase, this is evident that in 2018 economic growth initially amounted to 298484.07, increased to 315464.75 in 2019, and continued to increase until 2021 amounting to 326407.93, this shows that economic growth in South Sumatra province is quite good.

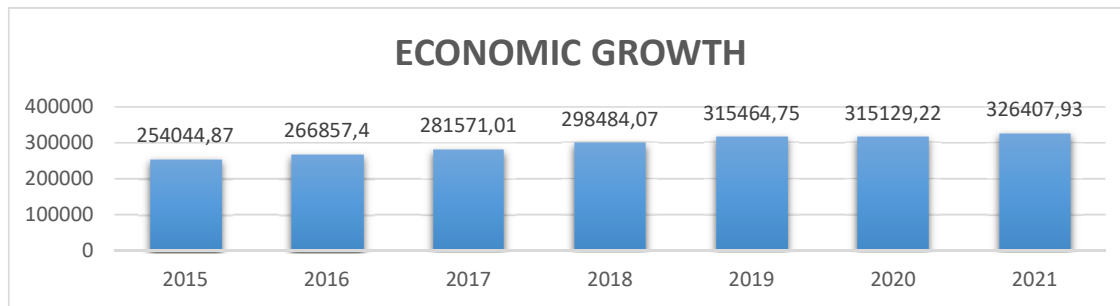


Figure 1. Development of Economic Growth of South Sumatra Province as seen from the value of Gross Regional Domestic Product (GRDP) 2015-2021 (Thousand Rupiah)

Source: South Sumatra Province in Figures, Various Editions, Central Bureau of Statistics of South Sumatra Province

The thing that affects economic growth is human resource development, which can be measured using the human development index (HDI) which is a method of measuring the comparison of life expectancy, literacy, education and living standards. Development is needed in order to improve the welfare of the people in a country. Humans or people are wealth and basic capital in development.

This means that human resource development also plays an important role in economic development, because good human development will make factors of production. The production factor in question is the existence of a sufficient level of education that will create a capable workforce, then with the level of education, it will provide an opportunity to have the ability to manage existing resources, so that existing resources can be managed to increase economic growth.

In addition to the Human Development Index, inflation also has an impact on economic growth. Inflation is a process of increasing prices in general and continuously. Inflation occurs because there are several influencing factors such as the amount of money in circulation. The more the amount of money circulating in society, the weaker the exchange rate (purchasing power) and the prices of necessities will rise.

Inflation is one of the important indicators in macroeconomic control that has a broad impact on various economic sectors. According to BPS Combined 2 cities in South Sumatra Province in September 2022 experienced inflation of 1.26 percent, Calendar Year Inflation 2022 (cumulative) until September 2022 amounted to 5.60 percent. Annual Inflation "Year on Year" (September 2022 against September 2021) amounted to 6.70 percent.

2. LITERATURE REVIEW

Economic Growth

Economic growth is a process where economic conditions in a country continue to change over a period of time towards conditions that are considered better. Basically, the economic development of a region can be seen from the growth and income of the region. The income of a region is in the form of gross domestic regional income (GRDP). So, high inequality of economic development between regions can be seen by the difference in GRDP in the region. Economic growth is an important indicator for analyzing a country's economic development. Since economic activity is essentially the process of using factors of production to produce goods and services, economic growth generates additional public revenue over a period of time.

Human Development Index (HDI)

The human development index is an important indicator to measure the success of improving people's quality of life, and can determine the level of human development in a region. The human development index explains how people gain access to income, health, education and other development outcomes (BPS, 2022). The Human Development Index is calculated based on data that can describe three components, namely:

1. Education

The level of education uses 2 indicators, namely average years of schooling and expected years of schooling to measure the level of community knowledge. The average years of schooling measures the average number of years the community takes formal education or school benches. Expected length of schooling is the expected length of time children take formal education or school. The calculation of the two

indicators is weighted by the average length of schooling by one-third and the expected length of schooling by two-thirds.

2. Health

The level of health uses data on the life expectancy of the population with an indirect approach, the data used are the Live Birth Rate (ALH) and Child Survival Rate (AMH).

Inflation

Inflation is a general and continuous increase in the price of goods and services within a certain period of time. Inflation can be measured by looking at changes in the CPI value over time, if it increases then there is inflation in the area or region. When the prices of goods and services rise in the country, inflation increases. The increase in the price of goods and services can reduce the value of the currency in the country. (BPS, 2022).

3. METHOD

This research is limited to the variables of human development index, inflation, and economic growth. This type of research is quantitative research, which aims to determine whether the Human Development Index (HDI) and Inflation (INF) affect Economic Growth (PE). This study uses a purposive sampling technique, namely determining the sample on the basis of criteria set by the researcher, namely in South Sumatra Province in the period (time series) 2015-2021. The data used is secondary data taken from the Central Bureau of Statistics of South Sumatra Province.

In looking for the effect of the Human Development Index (HDI) and Inflation (INF) on Economic Growth (PE), researchers must use multiple regression analysis to get the relationship between the independent variables HDI (X1) INF (X2) with the dependent variable PE (Y). Using the Eviews 9 statistical program. This study uses the following model:

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + e$$

Y : Economic Growth (PE)

$\beta_1 X_1$: Human Development Index (HDI)

e : Error

β_0 : Coefficient

$\beta_2 X_2$: Inflation (INF)

So that it can be developed through the hypothesis model below:

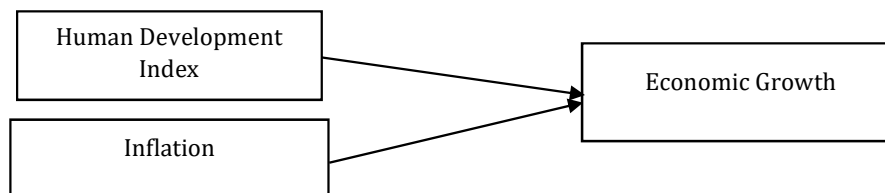


Figure 2. Hypothesis Model

The hypothesis of this study is as follows:

H1: Human Development Index affects the Economic Growth of South Sumatra Province.

H2 : Inflation affects the Economic Growth of South Sumatra Province

Table 1. Operational Definition

No	Variable	Definition	Unit of Measurement
1	Human Development Index	Human Development Index (HDI) explains how the population can access development results in obtaining income, health, education and so on in South Sumatra Province. HDI is formed by 3 (three) basic dimensions: longevity and healthy living, knowledge and living standards.	Percent (%)
2	Inflation	Inflation is a tendency of the prices of goods and services to rise continuously, during the period 2015 to 2021 in South Sumatra Province.	Percent (%)
3	Economic Growth	Economic growth is the development of activities in the economy that cause goods and services to be	Billion Rupiah

produced in society. Taken from the total amount of Gross Regional Domestic Product (GRDP) of South Sumatra Province increasing, during the period 2015 to 2021.

4. RESULT AND DISCUSSION

The effect of the human development index and inflation on economic growth in South Sumatra Province can be seen from the results of data analysis. Data analysis using multiple linear regression equations calculated using the Eviews 9.0 statistical program. Obtained the following analysis results:

Table 2, Statistical Analysis Results

Variabel	Coefficient	T-Statistic	Prob
C	-1287341	-7.972432	0.0013
IPM	2303265	10.31123	0.0005
INF	-455655.1	-1.399353	0.2343
R-squared	0.992476	F-statistic	263.8329
Adjusted R-squared	0.988715	Prob(F-statistic)	0.000057

Based on the table above, the multiple linear regression equation can be formed as follows:

$$PE = -1287340.99287 + 2303265.49668 *IPM - 455655.063332 *INF$$

Based on the estimation results, it shows that the constant value of -1287341 means that if the human development index and inflation remain, economic growth will be 4.062%.

1. The constant value obtained is -1287341, it can be interpreted that if the independent variables (human development index and inflation) increase by one unit on average, the dependent variable (economic growth) will decrease by -1287341.

2. The regression coefficient value of the human development index variable is positive amounting to 2303265, it means that if the human development index variable increases, the economic growth variable will also increase by 2303265 and vice versa.

3. The regression coefficient value of the inflation variable is negative amounting to -455655.1, it means that if the inflation variable increases, the economic growth variable will also decrease by -455655.1 and vice versa.

F Test (Simultaneous)

It is known that the F-statistic value is 263.8329 with a prob statistic value of 0.000057 < 0.05, so it can be concluded that the independent variables (human development index and inflation) have a significant effect simultaneously / simultaneously on the dependent variable economic growth of South Sumatra Province.

The t test

The t test results of this study are as follows: 1. The human development index variable has a T-Statistic value of 10.31123 with a prob significance value of 0.0005 < 0.05, it can be concluded that the human development index variable has a significant effect on the economic growth variable of South Sumatra Province. 2. The inflation variable has a T-Statistic of -1.399353 with a prob significance value of 0.2343 > 0.05, it can be concluded that the inflation variable has no significant effect on the economic growth variable of South Sumatra Province

.Coefficient of Determination (R2)

The Adjusted R square value is 0.988715 and the coefficient of determination is 98.87%, so the conclusion is that the contribution of the influence of the independent variables (human development index and inflation) to the dependent variable (economic growth) is simultaneously 98.87%, while the remaining 1.1% is influenced by other variables outside this study.

Effect of Human Development Index on Economic Growth

Based on the research results, the human development index has a positive and significant effect on the economic growth of South Sumatra Province from 2015 to 2021, with a significance value of the human development index variable of 0.0005 > 0.05. This shows that the human development index has a significant effect on economic growth. The positive coefficient value proves that there is a positive relationship between the human development index and economic growth. That is, if the human

development index increases, economic growth will increase. If the human development index falls, economic growth will also fall.

The Effect of Inflation on Economic Growth

Based on the research results, inflation has a negative and insignificant effect on economic growth in South Sumatra Province from 2015 to 2021, with a significance value of the inflation variable of $0.2343 > 0.05$. This shows that inflation has an insignificant effect on economic growth. The negative coefficient value proves the negative relationship between inflation and economic growth. That is, if inflation rises, economic growth will fall. If inflation falls, economic growth will rise.

Effect of Human Development Index and Inflation on Economic Growth

Based on the results of the significance coefficient value of 0.000057 which is smaller than 0.05 ($0.000057 < 0.05$), it can be concluded that the human development index and inflation variables together have a positive and significant effect on economic growth in South Sumatra Province.

The result of the R square analysis is 0.992. This proves that the economic growth variable can be explained by the human development index variable and inflation with a model of 99.2%, the remaining 0.8% being influenced by other variables not examined.

The results of this calculation are similar to Asnidar (2018), showing that the human development index and inflation together have a significant effect on economic growth. And similar to Yuni Maulida, Abdul Hamid, and Faisal Umardani (2022) which shows that the human development index and inflation together have a positive and significant effect on economic growth.

5. CONCLUSION

Partially, the human development index has a positive and significant effect on economic growth in South Sumatra Province. Partially, inflation has a negative and insignificant effect on economic growth in South Sumatra Province. Simultaneously, the human development index and inflation have a positive and significant effect on economic growth in South Sumatra Province. Proposed in this study are as follows: Shopping Attributes Online (X1) and Shopping Experience Online (X2) has a positive and significant effect on customer loyalty (Y) with satisfaction as a mediating variable (M).

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