



Analysis of Determinants of Economic Growth in Indonesia

Sherlinda Ardyana Pramesty^{1*}, Happy Adianita²

^{1,2} Universitas Bojonegoro

Article Information

History of article:

Received October 2023

Approved October 2023

Published October 2023

ABSTRACT

This research aims to analyze the factors that influence economic growth in Indonesia for the 1983-2022 period. The Error Correction Model (ECM) analysis method was used with the help of Eviews 12. Time series data was used for this research from 1983-2022 which was obtained from the Indonesian Central Statistics Agency (BPS). The economic growth indicator is used as the dependent variable, while the poverty rate, employment rate, unemployment rate, and APBN are independent variables. The main topic of research discussion is only related to the information presented by researchers which is focused on the poor population, labor force participation rate, open unemployment rate, state income, and GDP based on business fields. The results of empirical tests using Error Correction Model (ECM) analysis determine that the level of poverty in the long term has a significant negative influence on economic growth in Indonesia but not in the short term. In the long term, the employment level has a significant negative effect along with the short term on economic growth, the unemployment rate variable does not have a significant effect in the long term but not in the short term, while state income in the APBN in the long and short term has a significant positive effect on economic growth in Indonesia.

Keywords: Poverty, Employment, Unemployment, Economic Growth, ECM

JEL Classification Code: C22, E02, J11

© 2023 MediaTrend

Author correspondence:

E-mail: sherlindaardyanapramesty@gmail.com

DOI: <http://dx.doi.org/10.21107/mediatrend.v18i2.22860>

2460-7649 © 2020 MediaTrend. All rights reserved.

INTRODUCTION

Economic growth is one of the country's problems over a long period of time and has interrelated processes and is able to influence the factors analyzed. Domestic economic policies are carried out to maintain economic balance which is useful for controlling and predicting global economic turmoil, positive trends in economic growth indicate the stability of ideal macroeconomic conditions (Hariyanti & Soekapdjo, 2020).

The macroeconomic component of economic growth can be measured in Gross Domestic Product, which is an important factor in the economy as a determinant of policies, government plans, and aims to increase a country's sovereignty (Khan et al., 2022). Forecasting and estimating economic growth with GDP is used to assess the importance of an economic policy (Cepni et al., 2020).

Gross Domestic Product (GDP) can be described as an indicator of the rate of economic growth. Relatively stable economic growth can be said to be a region or country that has succeeded in improving the welfare of its people, based on data from the Central Statistics Agency (BPS) by the National Socioeconomic Survey (Susenas), economic growth in Indonesia based on GDP in 2022 will reach 5.3 percent seen from the growth rate economics in the business field. Showing that in Indonesia economic growth can be felt that there has been a fluctuating increase from 2020 after the Covid-19 pandemic. Government policy aims to increase economic growth which can have an impact on societal disparities and poverty levels, however high economic growth is a challenge that must be faced by developing countries (Olowofela et al., 2018).

External and internal economic turmoil in developing countries has made Indonesia increase its economic progress with the hope of producing an economic system that functions well is balanced and

is resilient in facing problems in economic growth (Bashir et al., 2019). Macroeconomic policies are determined to provide benefits for the country to overcome economic problems by adopting appropriate and stable policies so that waste does not occur (Akobeng, 2020).

State problems such as demographic problems that affect the economy in Indonesia include poverty, labor force participation rates, poverty, and the country's income. Poverty is a world problem that needs to be addressed because the level of poverty is included in several factors that become a serious problem for a country which results in slow economic development (Agustin, 2022). The number of poor people in Indonesia continues to decrease, but poverty is still considered a quite fatal problem, poverty is a condition where a person cannot meet basic needs as measured by their expenditure (Jauhari & Periansya, 2021). According to the World Bank at the Fiscal Policy Agency of the Ministry of Finance in 2022, the reduction in the poverty rate at the threshold of Indonesia's poverty line has increased, which can have an impact on sharing risks in the economy. Poverty eradication policy actions are carried out to have a positive impact on the workforce (Maipita, 2018).

The labor production factor is a crucial component of a country's economy. Actions to absorb work energy are needed to stabilize and improve community welfare, providing development effects that are expected to reduce poverty, prosperity, and the emergence of various social problems (Komariyah et al., 2020). The way to find out the proportion of work in the labor force to population growth can be seen from the work participation rate in the labor force. Based on the Central Statistics Agency, the labor force participation rate (TPAK) is the labor force ratio related to the quantity of the working-age population between 15 and 64 years. Structural change is a transition from traditional society to modern so-

ciety making a modern industrial economy. The large number of job opportunities and labor productivity, stock capital, use of new sources, and improvements in technology will add to industrial structural changes that can absorb more and better workers which can reduce the unemployment rate (Suindyah, 2018).

The increasing economy is a reflection of economic development. Another thing is that when economic growth is unable to develop, one of the problems that will arise is unemployment. The existence of regulations, taxes, and tariffs that apply to economic activities with relatively low barriers have an impact both on economic growth directly and indirectly and can influence the reduction of unemployment and increase demand for labor, but is economic globalization able to have a positive impact on the economy? its impact on economic activity reducing the unemployment rate? or cause high fluctuations in unemployment rates (Setyawan et al., 2021). According to the Central Statistics Agency, in 2022 the percentage of open unemployment will be 5.8 percent with a labor force participation rate of 68.9 percent. This means that employment opportunities have not been able to absorb the entire workforce so many people are still unemployed.

Regulations set by the government at a time when the number of unemployed is increasing along with increasing demand for state services and unemployment funds are decreasing rapidly, the state must take brutal budget measures to deal with the impact (Rubin & Willoughby, 2021). Fiscal policy is needed to anticipate unemployment problems that occur as an alternative form of national economic resilience (Joyce & Suryo Prabowo, 2020).

The APBN is the state revenue and expenditure budget which is one of the fiscal policies for annual financial planning of a country which is an indicator of economic growth, namely as a tool for regulating the inflow and outflow of the APBN for

state capital. development and actualization of government activities in developing economic progress, increasing domestic income, achieving economic stability, and ensuring general development goals and priorities. The government's fiscal policy as outlined in the State Revenue and Expenditure Budget (APBN) is an important instrument in managing the economy and as an effort to realize Indonesia's ideals of independence, the APBN is expected to be able to create macroeconomic conditions that can support the economy. achieving the economic growth targets that have been set (Rahim & Saputra, 2018). Economic growth cannot be separated from the role of financial institutions that supervise all state transactions. Development activities have a relationship between the development of the banking sector and the economic growth of a country. The importance of economic stimulus in the realm of APBN policy, the Ministry of Finance must ensure that the management of APBN funds continues to run well even in crises, national economic and fiscal sustainability in national crises such as the Covid-19 pandemic. This pandemic relies heavily on revenues to distribute the expenditure necessary to address the problem. country (Nur, 2020).

In 1983, in the New Order era, economic growth in Indonesia began to experience the beginning of an economic crisis with an economic growth rate of 12,842.2 billion rupiah with a percentage of 4.2 percent due to the decline in commodity prices in that year's era. The monetary crisis that hit Indonesia in 1998 resulted in a decline in the economic sector which was shown at a -13.1 percent economic growth rate at that time. Economic growth has increased, but in 2012 the country was affected by the global crisis which resulted in the economy weakening. The economy experienced a global crisis in 2020 which could be felt by all countries in the world, namely the COVID-19 pandemic crisis. The eco-

conomic growth experienced a setback until it reached a minus percentage figure of -2.1, however, the government was able to handle this with policies such as allocating funds distributed in handling the Covid pandemic, however, the government paid little attention to other sectors which had quite a deep impact on poverty and unemployment levels. The pandemic problem will still be felt today in various sectors because world problems will have an impact on the economies of other countries such as the Indonesian economy. This increase in growth has not been able to free Indonesia from poverty and unemployment due to the government's failure to overcome economic problems. Fluctuations in economic growth can have an impact on the economic sector and serve as material for discussion at the national and international levels (Purba & Saputra, 2018).

Based on research identification, there are research gaps and novelties described in this research which discuss poverty, employment, unemployment, and state income on economic growth. Many studies do not discuss state income which makes this research a novelty. There are several previous studies that have related discussions.

Korankye et al., (2021) analyzing development finance, economic growth, and poverty shows that short-term economic growth does not have a significant impact on poverty levels. However, in research analyzed by (Wistantri & Bintaringtyas, 2023) the variables HDI, TPAK, poverty, CO2 emissions, and the number of MSMEs at the poverty level have a significant negative influence on economic growth. In the research carried out (Rapii, 2020), poverty has an influence on the development of economic growth according to standards in the form of analysis carried out. This previous research used qualitative methods in the form of SLQ and DLQ analysis. This shows that poverty is a fatal problem and must be addressed immedi-

ately so that there is a reduction in poverty levels. In research conducted (Artaningtyas et al., 2019) regarding agglomeration production and population agglomeration on economic growth, the level of poverty has an impact on economic growth with the research results having a significant negative value. This is different from those (Zuhdiyaty & Kaluge, 2018) who analyzed HDI, TPT, and economic growth, showing that they do not have an impact on poverty, nor does poverty have an impact on economic growth. This is a reflection of the lack of quality of economic growth in eradicating existing poverty, research This is in contrast to the analysis of the determinants of poverty by (Kamilah et al., 2022) which shows a significant level of poverty, namely that the negative coefficient has an effect on economic growth which results in an increase in population in a certain period and is not balanced with existing employment.

Therefore, the importance of the government's role is to take responsibility for providing workers' rights to work and a decent income, the government is responsible for employment opportunities with regulations and protection of rights through labor regulations, then the short-term and long-term influence on economic growth is caused by one of the factors is the workforce in the research analyzed (Indrajaya, 2021), namely the workforce, government spending, FDI on economic growth using the VECM model. In line with the analysis of foreign debt, labor force, and net exports on economic growth by (Nur Annisa et al., 2022) that factors related to employment have a significant positive impact on economic development in Indonesia, the availability of demand in the form of the number of workers must proportional to the amount of job provision as a form of preventing unemployment which will have an impact on the Indonesian economy. In research (Sutikno, 2020) analyzing investment, exports, labor force, capital expenditure, and HDI shown in the average economy

in Indonesia caused by the level of the labor force with a positive significance level. Finding similarities in research results (Yeisa & Rani, 2020) that labor has a significant positive relationship, this is evidence that labor can increase the productivity of goods and services in a country. Also in (Ferreira et al., 2022) analyzing the influence of capital, labor, and technology on economic growth on the island of Java, the labor variable has a significantly positive relationship with the economy. According to (Saimul & Arif Darmawan, 2020) in research on the influence of openness on economic growth in Indonesian provinces, labor output has a significant negative influence. The negative and positive impacts of labor growth depend on the capability of a country's or regional economic system to absorb and utilize the increase in labor. Productive work, in other words, depends on how elastic the employment opportunities that can be generated by economic progress are. In contrast to research that analyzed economic growth factors in 10 ASEAN countries (Sari & Kaluge, 2018) that economic growth was not influenced by the level of labor force participation as evidenced by the fact that there was no significant value for this indicator, contrary to the neoclassical theory which states that increasing the production factors of capital, labor, and technology are tools for measuring the development of an economy.

According to (Irushad et al., 2023), research on the drivers of unemployment using the ARDL model shows that unemployment has a significant effect on long-term negative economic growth. This suggests that economic growth enables a country's productivity by reducing unemployment to a relatively low level. In addition, the negative relationship between unemployment and economic growth shows that reducing unemployment will ensure economic growth, as a result, the impact of Okun's law coefficient shows a negative relationship between unemployment and

economic growth because the slow rate is the reason the number of unemployed increases is found in research on the relationship between unemployment and economic growth by (Al-kasbah, 2022) unemployment has a negative impact. Having research in common (Isrofil & Sukmana, 2020) that the unemployment rate has a negative influence, these results can illustrate that the influence of the unemployment rate on Gross Domestic Product (GDP) is significantly negative, this identifies every large or small increase in economic growth influenced by the unemployment rate.

Anindynta, (2023) with research on inclusive growth in ASEAN countries explains that the unemployment rate variable has significant negative consequences that have an impact on a country's economy. The increasing number of workers who have no work or are unemployed will cause people's income to decrease even to the point of being negative due to not getting wages, making people unable to meet their daily needs. This will show that economic growth is measured through production, income, and spending will decrease as unemployment increases. In contrast to research (Pertiwi et al., 2023) regarding the influence of exports, investment, and unemployment on economic growth in 1990-2020 short-term and long-term unemployment did not occur significantly. This shows the opposite relationship to the explanation of Okun's law which has a significantly negative relationship between economic growth and unemployment. Even though the results presented have an insignificant value, Indonesia's economic growth is influenced by the level of poverty which tends to be positive. Several things can cause the relationship between results to be insignificant and have a positive value, such as Indonesia being known as a country that relies on the ability of human labor rather than the use of machine power with the term labor intensive

aimed at accommodating all existing labor and providing employment opportunities. This time, simultaneously the number of unemployed and the number of workers available as well as the limited number of employees, the company must optimize its production capacity so that it is necessary to maximize the available workforce and this results in the number of working hours increasing. The addition of working hours will increase employees' income and can influence consumption levels. The high level of public absorption of domestic products makes economic growth soar and will increase.

Regarding a country's income (Panshak et al., 2020), in the Nigerian economy, there was a significant decline in state income relative to gross domestic product (GDP). During this period, there was a government budget deficit in Nigeria, but the movement showed signs of improvement, especially as the government adopted an expansionary fiscal policy for employment and addressed shortfalls in subsequent years bringing GDP in line with analogous universal standards. However, this is different from research that analyzes the impact of the pandemic on the economic sector (Malahayati et al., 2021) that a country's state income has a negative impact on economic growth during the pandemic, but not only that, several sectors in a country's economy also experience negative shocks due to the Covid pandemic. -19. However, the government is promoting state incentives for restoring economic growth during the pandemic crisis to support the economy. Poverty, employment, unemployment, and the state expenditure budget have an interrelated relationship, reducing poverty, unemployment, and increasing employment and the APBN should be able to increase the rate of economic growth well. However, the fact is that the level of poverty, employment, unemployment, and the APBN often fluctuates so it has not been able to increase the

level of the economy in Indonesia. Optimal income distribution for poverty eradication by providing job opportunities will have the effect of reducing poverty and increasing the social status of the population. The APBN contribution is one of the policies carried out by the country to advance its economy. Therefore, the purpose of this research is to understand the level of poverty, employment, unemployment, and the APBN's long-term or short-term influence on economic growth in Indonesia.

METHODOLOGY

The method used for research is an associative descriptive method with a quantitative type because the focus of the research is testing and measuring research variables in the form of numbers and statistical techniques are used to estimate data. The determination of the independent variable is based on Keynes' theory which has a relationship between variables, the occurrence of economic depreciation resulting in reduced job market absorption, increasing unemployment, and increasing the poor population which results in consumption expenditure, therefore there is a need for government intervention in overcoming maximum economic growth. The operational definition of the dependent variable in this research is that economic growth is the amount of economic output with indicators of Gross Domestic Product based on business fields. Meanwhile, in the independent variable, the poverty level is the condition of a person or group not being able to meet their basic capabilities, the indicator is the percentage of the poor population, and employment is all relations related to labor in the form of an indicator of the level of labor force participation, while unemployment is the condition of a person not yet working or looking for work. The indicator for this variable is the percentage of the open unemployment rate, and the State Revenue and Expenditure Budget (APBN), namely the form of state capital

for economic growth with the focus of the indicator being the realization of state income in percent of the APBN.

This research uses the ECM (Error Correction Model) error correlation model approach to produce long-term and short-term estimates with quantitative research where the data used is time series data for the period 1983-2022. The type of secondary data in this research is publication data that has been collected by the data collection agency Central Statistics Agency. Economic growth in this observation was carried out using annual data on the rate of economic growth for the period 1983-2022 using percent (%) as the measurement. Using this data is more efficient because the data used is more than one variable. The analysis using time series data with the Error Correction Model (ECM) approach. The stationarity test is the initial stage, namely testing the level of data stationarity with the main series in starting data analysis using. This test uses a unit root test or is called unit root testing in the Augmented Dickey-Fuller (ADF) test. Statistical results at the probability level are evaluated with the critical value obtained when the significant value is above 5%, then the residual results do not have stationarity. However, if the probability is below 0.05, the residual data will be stationary. The next stage is testing to overcome problems in time series data in the long-term relationship between variables, called the cointegration test. The residual test is carried out to determine whether variables that have the same degree of integration are stationary or not. Engel and Granger stated that the cointegration test is considered a preliminary test to avoid false regressions (Effendi, 2018). The method in this research is the Engel-Granger integration method with the ADF method. The residual value is stationary at what level so that the combination of variables in the study is stationary.

The difference between reality and the desired economic behavior requires ad-

justment. As a result, a method is needed to return the short-term balance to closer to the long-term balance. The appropriate method for correcting imbalances is the Error Correction Model (ECM). The long-term ECM estimation form is:

$$Y_t = \beta_0 + \beta_1 X1_t + \beta_2 X2_t + \beta_3 X3_t + \beta_4 X4_t + \varepsilon_t$$

where Y is Economic Growth, β_0 is Intercept $\beta_{1,2,3,4}$ is Regression Coefficient, X1 is Poverty, X2 is Employment, X3 is Unemployment, X4 is APBN, t is Time Series, ε_t is Error Term

Furthermore, the short-term model equation that has been differentiated at the first different level is as follows:

$$D(Y_t) = \beta_0 + \beta_1 D(X1_t) + \beta_2 D(X2_t) + \beta_3 D(X3_t) + \beta_4 D(X4_t) + \beta_5 ECT_{lag1} + \varepsilon_t$$

The classical assumption test is to determine that this research's regression results meet the BLUE (Best Linear Unbiased Estimator) requirements and there are no Error Correction Model deviations from the classical assumptions. Normality testing is used to find out whether short-term residuals are normally distributed. Through the Jaeque-Bera test with a significance level of 5%, the data is normally distributed if the probability value is above the significance level. This test is to determine a definite linear relationship between several variables or all variables explaining the regression model. The test was carried out to determine whether the regression was free and did not have heteroscedasticity problems in the ECM model. The autocorrelation test aims to identify whether or not there are symptoms of autocorrelation in regression.

RESULTS AND DISCUSSION

Descriptive testing is carried out to provide an overview of the variables to be studied. the management of descriptive

Table 1.
Descriptive Statistics

Variable	Mean	Std. Dev.	Min.	Max.	Obs.
Y	4.872500	3.724485	-13.10000	11.80000	40
X ₁	16.63500	5.269046	9.300000	29.20000	40
X ₂	63.94000	5.249947	55.50000	69.20000	40
X ₃	6.180000	2.952808	2.600000	17.30000	40
X ₄	101.7435	11.63555	73.80000	132.0000	40

Source: Analysis Results Of Eviews 12

statistical analysis shows the sample size studied such as the average (mean), maximum, minimum, standard deviation of each variable. The results of the descriptive statistical test can be shown in the following table 1.

The results of the descriptive statistical test shown in table 1 with the number of observations in the study were 40 data from 1983 to 2022. Economic growth (Y) has a minimum value of -13.1 which is the value of the decline in growth in this research period. The highest growth value is 11.8 with Indonesia's economic growth rate showing an average of 4.9. The highest poverty ratio was 29.2 and the lowest was 9.3 with an average of 16.6. The employment ratio and the highest was 69.2 and the lowest was 55.5 and the average was 63.9. The highest unemployment ratio was 17.3 and the lowest was 2.6 with a mean of 6.2 and a standard deviation of 2.9. The highest figure of the state budget was 132.0 with the lowest value of 73.8 and an

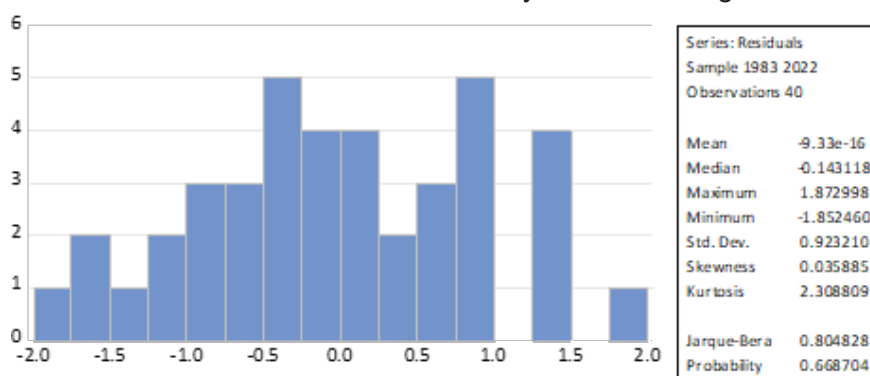
average of 101.7. The variety of values determined by the analysis conducted shows that the variable indicators reflect macroeconomic variations in Indonesia.

The results of the normality test on the classical assumptions used with the Jarque-Bera method show that the probability value is greater than 0.05 so that the data is normally distributed.

The results of the VIF value in the multicollinearity test of less than 10 are declared free from multicollinearity problems, on the other hand, if the VIF value is more than 10, the research states that there is a multicollinearity problem.

The probability value of Obs R² of 0.7557 indicates that there is no heteroscedasticity using the Glejser method in the study has a probability value of more than a significant level of 0.05.

There is an Obs R² probability value of 0.0716, this shows that there is no autocorrelation in the study because the probability value of a significant level of 0.05.



Source: Analysis Results Of Eviews 12

Figure 1.
Classical Assumption Test Results, Normality Test

The initial step in testing the Error Correction Model is the estimation results for the short-term and long-term equations using the unit root test or stationary test to find out in advance whether the variables under study have met the level of stationarity or not. This experiment was carried out to ensure that the results of calculations made on time series data were not wrong and to estimate whether or not the connectivity of variables in the unit root was stored to make the equation acceptable. Looking at table 5, the results of the unit root test levels show that all variables have not yet become stationary at level level. It can be seen from the probability values of economic growth, unemployment, and the APBN of 0.0009, 0.0101, 0.0009 < 0.05 that they are stationary, but the probability

that the poverty and employment variables have values more than the significance level, namely 0.7245, 0.5735 > 0.05, therefore it must be done by testing the unit root test on the first derivative, namely the level of the first difference. Obtaining a significant level that has passed the first different unit root test, it is found that all variables have an ADF scale with a significant value at a probability level that is smaller than the results of certain criteria of 0.05 (5%) so that the data is declared stationary data at the first different level. To find out long-term parameters, the next test is the cointegration test.

The use of the Augmented Dickey-Fuller (ADF) test as a way to review whether the cointegration residual value is stationary or not at all. The cointegration

Table 2.
Classical Assumption Test Results, Multicollinearity Test

Variable	Coefficient Variance	Uncentered VIF	Centered VIF
X1	0.001367	17.48539	1.558001
X2	0.001568	271.8438	1.775184
X3	0.003657	7.191134	1.309230
X4	0.000193	85.04676	1.070829
C	9.457236	398.3152	NA

Source: Analysis Results Of Eviews 12

Table 3.
Classical Assumption Test Results, Heteroscedasticity Test

F-statistic	0.434325	Prob. F(4,35)	0.7829
Obs*R-squared	1.891591	Prob. Chi-Square(4)	0.7557
Scaled explained SS	1.451559	Prob. Chi-Square(4)	0.8352

Source: Analysis Results Of Eviews 12

Table 4.
Classical Assumption Test Results, Autocorrelation Test

F-statistic	2.505032	Prob. F(2,33)	0.0971
Obs*R-squared	5.272355	Prob. Chi-Square(2)	0.0716

Source: Analysis Results Of Eviews 12

test shows how closely the relationship between various economic factor variables is when in the long-term equation. If the conditions for the cointegration test are applied, if a probability result or level of significance <0.05 (5%) is obtained with an ADF t-statistic value greater than the test critical values, it is indicated that the variables studied by this research have been well integrated. Based on table 6, it is shown that the critical value is smaller than the ADF t-statistic value, namely -5.837549 with a significant value so that it has experienced stationarity in the cointegration test, which means there is an equilibrium bond in the long-term equation. The use of OLS regression testing carried out on eviews 12 is useful for understanding the long-term impact of the independent variable on the dependent variable. From this test, what will be the influence of poverty (X1), employment (X2), unemployment (X3) and APBN (X4) on economic growth (Y).

The results of the Error Correction Model with OLS regression on the eviews analysis tool, the estimated long-term results are as follows table 7.

It can be seen from the results of the OLS calculations in the ECM model in table 7 that all variables are significant at the significance level, namely the poverty (X1) employment (X2), unemployment (X3) and APBN (X4) variables in the long term have a significant impact on economic growth with the probability values are 0.0021, 0.0007, 0.0128 and 0.0035. The difference in the coefficient of significance level in the poverty and employment variables has a significant negative effect with values of -0.380255 and -0.453818, while the unemployment and APBN variables have a significantly positive impact with coefficient values of 0.491886 and 0.134630. Values can be said to be significant if the significance level is <0.05 or 5%. This proves the regression results between the correlation between the independent variable and the dependent variable with the independent variables being poverty (poor population), employment (TPAK), unemployment (TPT) and APBN (state income). The dependent variable is economic growth (GDP). The probability level of the poverty variable

Table 5.
Stationarity Test Results

Variable	LEVEL		FIRST DIFFERENCE	
	Prob.	Desc.	Prob.	Desc.
Economic Growth (Y)	0.0009	Stationary	0.0000	Stationary
Poverty (X1)	0.7245	Not Stationary	0.0000	Stationary
Employment (X2)	0.5735	Not Stationary	0.0000	Stationary
Unemployment (X3)	0.0101	Stationary	0.0000	Stationary
APBN (X4)	0.0009	Stationary	0.0005	Stationary

Source: Analysis Results Of Eviews 12

Table 6.
Cointegration Test Results

	t-Statistic	Prob.*
Augmented Dickey-Fuller test statistic	-5.837549	0.0000
Test critical values:		
1% level	-3.610453	
5% level	-2.938987	
10% level	-2.607932	

Source: Analysis Results Of Eviews 12

from the regression results can be seen that there is a significant negative influence with a coefficient value of -0.380255 which means that when an increase of 1% in the poverty level results in a decrease in economic development of -0.380255 as well as the employment variable which has a negative significance for every 1% increase in the level. employment will reduce economic growth by -0.453818. In contrast to the unemployment variable and the APBN, when it experiences a decline, it will be able to increase economic growth by 0.491886 for the unemployment variable and 0.134630 for the APBN. The Adjusted R-Squared result of 0.341137 describes the independent variable in the dependent variable model which means 34.1137 percent in the long term and the rest is explained by factors not examined by the researcher. The F-statistic value of 6.048228 proves that the variables in the long-term regression model such as poverty, employment, unemployment and the APBN simultaneously influence the rate of economic growth.

is significant with a value of 4.937616 and meets the requirements of $0 < ECT < 1$, the ECT coefficient must be 0-1 which is indicated by a value of 0.792262 so it means that the error correlation model can be used to analyze factors that influence economic growth. In this regression model, the employment variables (X2) and APBN (X4) have a significant influence on economic growth as shown in the probability value of less than the significance figure of 0.05 or (5%). It can be seen that the probability values for the variables are 0.0320 and 0.000 with coefficient values of -0.664155 and 0.212823. This shows that the variables have a direct influence on economic growth negatively and positively in the employment and APBN variables in the short term, whereas the poverty and unemployment variables have no effect on growth. the economy directly but has a negative impact of -0.213647 on the poverty level and a positive impact of c on the unemployment variable on short-term economic growth. The adjusted R-squared number is 0.681426, so 68.1426 percent of the varia-

Table 7.
Long Run Test Result

Variable	Coefficient	Std. Error	t-Statistic	Prob.
X1	-0.380255	0.114679	-3.315828	0.0021
X2	-0.453818	0.122856	-3.693886	0.0007
X3	0.491886	0.187588	2.622165	0.0128
X4	0.134630	0.043053	3.127064	0.0035
C	23.47760	9.539973	2.460972	0.0189
R-squared	0.408713	Mean dependent var	4.872500	
Adjusted R-squared	0.341137	S.D. dependent var	3.724485	
S.E. of regression	3.023178	Akaike info criterion	5.166963	
Sum squared resid	319.8861	Schwarz criterion	5.378073	
Log likelihood	-98.33925	Hannan-Quinn criter.	5.243293	
F-statistic	6.048228	Durbin-Watson stat	1.921720	
Prob(F-statistic)	0.000827			

Source: Analysis Results Of Eviews 12

Based on the ECM estimation results above in table 8, it can be observed that the t-statistic value for the explanatory variable ECT (Error Correction Term)

tion in economic growth is obtained from the independent variables, namely poverty (X1), employment (X2), unemployment (X3), and APBN (X4) while the difference

is explained by other variables outside this research.

The ECM model in the analysis shows that the level of poverty has a significant impact on economic growth in the long term. This can be seen at a significance level of 0.0021 and has a negative influence as indicated by the coefficient value of the poverty variable -0.380255. From existing theory, poverty and economic growth have the opposite correlation. When the poverty level increases by 1 percent, economic growth will decrease by 0.380255. Meanwhile, in short-term estimates, poverty does not have a direct im-

tions in economic activity have an impact on meeting basic needs such as welfare, education and others. The level of poverty in a country can have a negative influence on a country's economic growth.

Long-term estimation results show that employment significantly negatively affects economic growth. Marked with a significant value and a negative coefficient, it explains that every 1 percent increase in employment will reduce economic growth by -0.453818. This has similarities to short-term estimates which have a significant negative impact. In previous research, employment growth is influenced by regional

Table 8.
Short-Term ECM Regression Equation Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-0.038091	0.423547	-0.089934	0.9289
D(X1)	-0.213647	0.121711	-1.755360	0.0885
D(X2)	-0.664155	0.296530	-2.239758	0.0320
D(X3)	0.080476	0.157761	0.510114	0.6134
D(X4)	0.212823	0.029622	7.184595	0.0000
ECT	0.792262	0.160454	4.937616	0.0000
R-squared	0.723343	Mean dependent var	0.028205	
Adjusted R-squared	0.681426	S.D. dependent var	4.477837	
S.E. of regression	2.527399	Akaike info criterion	4.832896	
Sum squared resid	210.7955	Schwarz criterion	5.088829	
Log likelihood	-88.24148	Hannan-Quinn criter.	4.924723	
F-statistic	17.25628	Durbin-Watson stat	1.905424	
Prob(F-statistic)	0.000000			

Source: Analysis Results Of Eviews 12

impact on economic growth but can explain it negatively with a coefficient of -0.213647. The results of previous research state that poverty has a significant and negative effect on economic growth, this shows that poverty and the economy have a conflicting relationship (Tampubolon et al., 2022) and are in line with research (Yudha & Purwanti, 2023) analyzing economic growth on poverty explained that the rate of economic growth has not been able to overcome welfare problems, but is important in eradicating poverty in economic development programs. This indicates that limita-

determinants such as low technological development which will be able to exploit the economy (Bin et al., 2020) along with research outlined by (Wu et al., 2021) that GDP and labor have a significant impact negative in several developed countries which are interconnected so that the disconnection of involvement can reduce employment and economic growth. The role of surplus labor has an influence on structural changes and economic growth in developed and developing countries.

Estimates in the long term of unemployment have a significant positive impact

in accordance with (Chattopadhyay, 2020) unemployment will increase over time and economic growth will become a serious problem if it continues in the long term, while in the short term it shows that the unemployment variable has no direct impact on economic growth in this period. This is supported by research conducted by (Brecher & Gross, 2020) that the problem of unemployment is balanced by capital and workforce skills so that there is a clear relationship between increasing unemployment and economic growth, but basically capital will increase when the portion of capital that fails will can slow economic growth. Contrary to Okun's law which states a negative relationship between economic growth and unemployment. Implying that when unemployment increases it will result in reducing economic growth. "Inflation, Unemployment, and Economic Growth in a Schumpeterian Economy" researched by (Chu et al., 2021) shows that increasing long-term unemployment can reduce labor demand with CIA limits resulting in a long-term positive relationship on economic growth.

Previous research "APBN 2020: Analysis of State Revenue Performance During the Covid-19 Pandemic" by (Sayadi, 2021) state revenue performance during the Covid-19 pandemic period has a significant effect on economic growth, the level of significance of state income in long-term and short-term regression results can be This means that when state income increases, it will be followed by an increase in economic growth and vice versa. During the Covid-19 pandemic, state income decreased compared to the previous year. The suitability of the theory is that capital and government intervention are needed in handling problems in economic growth. Simultaneously with (Gao & Zhen, 2018) significant revenue reform has achieved progress to avoid and reduce fiscal stress as a goal of balancing the economy towards budget revenues and expenditures. In line

with research conducted by (Coulibaly et al., 2018), capital flows have a positive and significant impact on economic growth, so it can be seen that state income is able to have an impact on increasing the rate of economic growth of a country.

CONCLUSIONS

Based on the results of the estimation of the poverty rate through ECM in the long term is significantly negative on economic growth which means that poverty actually makes a reduction in the rate of economic growth in the long term in the Indonesian economy. Economic growth is influenced by poverty in the long term but not in the short term which has not been able to explain the variables in this period. The employment variable using long-term ECM has a negative direct effect that has a significant impact on the rate of development of the country's economy in line with the short-term economic rate is significantly negatively affected by the employment variable on the labor force participation rate indicator.

The unemployment rate of ECM results in the long-term estimation that economic growth is able to be affected by the economy but different short-term estimation results unemployment does not have a direct effect and is positive on economic growth. The results of the APBN variable using the same model, namely ECM, explain that the long-term and short-term APBN has a significant impact on economic growth in Indonesia positively. It is expected that the government is able to take action on the rate of economic growth and eradicate poverty, which has a crucial effect on the process of improving the country's economy. The importance of the government's role in regulating and managing the labor absorption process reaches an optimal level to minimize the crisis of poverty and unemployment. Maximum labor absorption is certainly balanced by the amount of employment and optimization of

budget allocations has a role in the availability of employment and employment opportunities. So that the depreciation of unemployment and poverty makes the mechanism of increasing economic growth expected.

REFERENCE

- Agustin, L. (2022). Pengaruh Pengangguran, Ipm, Dan Bantuan Sosial Terhadap Kemiskinan Di Provinsi Jawa Timur. *EKONIKA : Jurnal Ekonomi Universitas Kadiri*, 7(2), 262. <https://doi.org/10.30737/ekonika.v7i2.2221>
- Akobeng, E. (2020). Harnessing foreign aid for the poor: role of institutional democracy. *Journal of Economic Studies*, 47(7), 1689–1710. <https://doi.org/10.1108/JES-05-2019-0225>
- Al-kasasbeh, O. (2022). The relationship between unemployment and economic growth: is Okun's Law valid for the Jordan case?. *International Journal of Economics Development Research (IJEDR)*, 3(3), 217–226. <https://doi.org/10.37385/ijedr.v3i3.497>
- Anindyntha, F. A. (2023). Analysis of inclusive growth in ASEAN countries. *OPTIMUM: Jurnal Ekonomi Dan Pembangunan*, 13(2), 231–241. <https://doi.org/https://doi.org/10.12928/optimum.v13i2.8363>
- Artaningtyas, W. D., Winarti, A. S., & Sodik, J. (2019). Agglomeration and Economic Growth in the Special Region of Yogyakarta (2005-2016). *EKO-Regional Jurnal Pengembangan Ekonomi Wilayah*, 14(2). <https://doi.org/10.20884/1.erjpe.2019.14.2.1277>
- Bashir, A., Suhel, S., Azwardi, A., Atiyatna, D. P., Hamidi, I., & Adnan, N. (2019). The Causality Between Agriculture, Industry, and Economic Growth: Evidence from Indonesia. *ETIKONOMI*, 18(2), 155–168. <https://doi.org/10.15408/etk.v18i2.9428>
- Bin, P., Chen, X., Fracasso, A., & Tomasi, C. (2020). Firm employment growth in China: The role of marketization and regional economic factors. *Growth and Change*, 51(1), 402–439. <https://doi.org/10.1111/grow.12348>
- Brecher, R. A., & Gross, T. (2020). Unemployment and income-distribution effects of economic growth: A minimum-wage analysis with optimal saving. *International Journal of Economic Theory*, 16(3), 243–259. <https://doi.org/10.1111/ijet.12197>
- Cepni, O., Guney, I. E., & Swanson, N. R. (2020). Forecasting and nowcasting emerging market GDP growth rates: The role of latent global economic policy uncertainty and macroeconomic data surprise factors. *Journal of Forecasting*, 39(1), 18–36. <https://doi.org/10.1002/for.2602>
- Chattopadhyay, S. (2020). Growth, income distribution and unemployment in a two sector economy. *Metroeconomica*, 71(4), 715–733. <https://doi.org/10.1111/meca.12299>
- Chu, A. C., Cozzi, G., Fan, H., & Furukawa, Y. (2021). Inflation, Unemployment, and Economic Growth in a Schumpeterian Economy*. *The Scandinavian Journal of Economics*, 123(3), 874–909. <https://doi.org/10.1111/sjoe.12416>
- Coulibaly, S. S., Gakpa, L. L., & Soumaré, I. (2018). The Role of Property Rights in the Relationship between Capital Flows and Economic Growth in SSA: Do Natural Resources Endowment and Country Income Level Matter? . *African Development Review*, 30(1), 112–130. <https://doi.org/10.1111/1467-8268.12316>
- Effendi, J. (2018). The determinant of equity financing in sharia banking and sharia business units. *Economic Journal of Emerging Markets*, 10(1), 111–120.

- <https://doi.org/10.20885/ejem.vol10.iss1.art12>
- Fevriera, S., Archintia, S., & Siwi, V. N. (2022). How Capital, Labor, and Technology Influence Java's Economic Growth. *Jurnal Ekonomi Pembangunan: Kajian Masalah Ekonomi dan Pembangunan*, 23(2), 269–282. <https://doi.org/10.23917/jep.v23i2.18278>
- Gao, P., & Zhen, J. (2018). The fiscal system of China under the New Normal: trends and changes. *China Political Economy*, 1(1), 84–99. <https://doi.org/10.1108/CPE-09-2018-010>
- Hariyanti, D., & Soekapdjo, S. (2020). Pengaruh Ekonomi Global dan Domestik Terhadap Inflasi di Indonesia. *Ekonika : Jurnal Ekonomi Universitas Kadiri*, 5(1), 64. <https://doi.org/10.30737/ekonika.v5i1.453>
- Indrajaya, D. (2021). Analysis of Cointegration and VECM of FDI, Labor Force, Government Expenditure and GDP in Indonesia (2005-2019). *International Journal of Economics Development Research (IJEDR)*, 2(1), 65–77. <https://doi.org/10.37385/ijedr.v2i1.265>
- Irushad, A., Mohd Thas Thaker, M. A., & Mohd Thas Thaker, H. (2023). What drives the unemployment rate in Maldives? An Autoregressive Distributed Lag (ARDL) approach. *Economic Journal of Emerging Markets*, 72–86. <https://doi.org/10.20885/ejem.vol15.iss1.art6>
- Isrofil, B. A. P., & Sukmana, R. (2020). Determinan Perekonomian Di Negara-Negara Organisasi Kerja Sama Islam (Oki) Tahun 1991 Sampai Dengan 2015. *Jurnal Ekonomi Syariah Teori Dan Terapan*, 7(1), 119. <https://doi.org/10.20473/vol7iss20201pp119-131>
- Jauhari, H., & Periansya, P. (2021). Economic Growth, Poverty, Urbanization, and the Small and Medium Enterprises (SMEs) in Indonesia: Analysis of Cointegration and Causality. *Binus Business Review*, 12(2), 143–150. <https://doi.org/10.21512/bbr.v12i2.6573>
- Joyce, P. G., & Suryo Prabowo, A. (2020). Government responses to the coronavirus in the United States: immediate remedial actions, rising debt levels and budgetary hangovers. *Journal of Public Budgeting, Accounting & Financial Management*, 32(5), 745–758. <https://doi.org/10.1108/JPBAFM-07-2020-0111>
- Kamilah, K., Priyono, T. H., Yunitasari, D., Wibisono, S., Somaji, R. P., Istiyani, N., & Santoso, E. (2022). Analysis of Poverty Determination in Madura 2010 - 2019. *Media Trend*, 17(2), 433–449. <https://doi.org/10.21107/mediatrend.v17i2.15810>
- Khan, U., Khan, A. M., Alam, Md. S., & Alk-atheery, N. (2022). Causation between Consumption, Export, Import, and Economic Growth of Oman. *ETIKONOMI*, 21(1), 67–78. <https://doi.org/10.15408/etk.v21i1.20034>
- Komariyah, S., Putriya, H., & Sutantio, R. A. (2020). Dampak Investasi, Kinerja Ekspor, Dan Inflasi Dalam Penyerapan Tenaga Kerja Indonesia: Analisis Data Panel. *Ekuitas (Jurnal Ekonomi Dan Keuangan)*, 3(4), 464–483. <https://doi.org/10.24034/j25485024.y2019.v3.i4.4195>
- Korankye, B., Wen, Z., Appiah, M., & Antwi, L. (2021). The Nexus Between Financial Development, Economic Growth and Poverty Alleviation: PMG-ARDL Estimation. *ETIKONOMI*, 20(1), 1–12. <https://doi.org/10.15408/etk.v20i1.15908>
- Maipita, I. (2018). Simulasi Dampak Kenaikan Upah Minimum Terhadap Tingkat Pendapatan Dan Kemiskinan. *Ekuitas (Jurnal Ekonomi Dan Keuangan)*, 17(3), 390–410. <https://doi.org/10.24034/>

- j25485024.y2013.v17.i3.347
- Malahayati, M., Masui, T., & Anggraeni, L. (2021). An assessment of the short-term impact of COVID-19 on economics and the environment: A case study of Indonesia. *Economia*, 22(3), 291–313. <https://doi.org/10.1016/j.econ.2021.12.003>
- Nur Annisa, Nairobi, N., & Taher, A. R. Y. (2022). The The Effect of Foreign Debt, Labor Force, and Net Exports on Indonesia's Economic Growth in Period of 1986 Q1 - 2020 Q4. *Jurnal Ekonomi & Bisnis JAGADITHA*, 9(1), 39–46. <https://doi.org/10.22225/jj.9.1.2022.39-46>
- Nur, M. (2020). Konstruksi Reputasi dan Responsivitas Instansi Pemerintah Melalui Media Sosial pada Situasi Pandemi Covid-19 di Indonesia (Analisis Wacana Pada Laman Facebook Direktorat Jenderal Perbendaharaan Kementerian Keuangan RI). *Indonesian Treasury Review: Jurnal Perbendaharaan, Keuangan Negara Dan Kebijakan Publik*, 5(3), 217–234. <https://doi.org/10.33105/itrev.v5i3.229>
- Olowofela, E. O., Adebowale, E. A., & Adejonwo, A. Q. (2018). Financial Sector Reforms and Economic Growth: Evidence from Nigeria. *Binus Business Review*, 9(2), 171–176. <https://doi.org/10.21512/bbr.v9i2.4359>
- Panshak, Y., Civcir, I., & Ozdeser, H. (2020). Towards determining Nigeria's economic growth path: A balance-of-payments constrained growth approach. *Economia*, 21(1), 104–119. <https://doi.org/10.1016/j.econ.2019.11.004>
- Pertiwi, A. T., Regina, I., & Sasongko, G. (2023). Pengaruh Ekspor, Investasi, Inflasi Dan Pengangguran Terhadap Pertumbuhan Ekonomi Di Indonesia Tahun 1990-2020. *Ekonika : Jurnal Ekonomi Universitas Kadiri*, 8(1), 42–66. <https://doi.org/10.30737/ekonika.v8i1.3115>
- Purba, D., & Saputra, A. (2018). Faktor-Faktor Penurunan Pertumbuhan Ekonomi Batam. *Jurnal Akuntansi, Ekonomi Dan Manajemen Bisnis*, 6(2), 224–230. <https://doi.org/10.30871/jaemb.v6i2.841>
- Rahim, A., & Saputra, H. (2018). Exploratory Factor Analysis (EFA) Pada Penyerapan Anggaran Pendapatan dan Belanja Negara (APBN) Tahun 2017 di Provinsi Sumatera Barat. *Indonesian Treasury Review Jurnal Perbendaharaan Keuangan Negara Dan Kebijakan Publik*, 3(3), 236–254. <https://doi.org/10.33105/itrev.v3i3.72>
- Rapii, M. (2020). Local Economic Development Strategy For Reducing Poverty In Suralaga East Lombok Regency. *Economica*, 8(2), 176–185. <https://doi.org/10.22202/economica.2020.v8.i2.3950>
- Rubin, M. M., & Willoughby, K. (2021). State budget balancing strategies: COVID-19 and the Great Recession. *Public Budgeting & Finance*, 41(3), 22–41. <https://doi.org/10.1111/pbaf.12299>
- Saimul, & Arif Darmawan. (2020). Trade Openness Effect on Provincial Economic Growth in Indonesia. *Wiga : Jurnal Penelitian Ilmu Ekonomi*, 10(2), 87–100. <https://doi.org/10.30741/wiga.v10i2.553>
- Sari, A. C. P., & Kaluge, D. (2018). Analisis Faktor-Faktor Yang Mempengaruhi Pertumbuhan Ekonomi Asean Member Countries Pada Tahun 2011-2016. *Jurnal Ilmiah Bisnis Dan Ekonomi Asia*, 11(1), 24–29. <https://doi.org/10.32812/jibeka.v11i1.26>
- Sayadi, M. H. (2021). APBN 2020: Analisis Kinerja Pendapatan Negara Selama Pandemi Covid-19. *Indonesian Treas-*

- sury Review: Jurnal Perbendaharaan, Keuangan Negara Dan Kebijakan Publik*, 6(2), 159–171. <https://doi.org/10.33105/itrev.v6i2.269>
- Setyawan, A., Suparta, I. W., & Aida, N. (2021). Globalisasi Ekonomi Dan Pengangguran: Studi Kasus Indonesia. *Jurnal Ekonomi Bisnis Dan Kewirausahaan*, 10(3), 263. <https://doi.org/10.26418/jebik.v10i3.49278>
- Suindyah D, S. (2018). Pengaruh Investasi, Tenaga Kerja Dan Pengeluaran Pemerintah Terhadap Pertumbuhan Ekonomi Di Propinsi Jawa Timur. *Ekuitas (Jurnal Ekonomi Dan Keuangan)*, 15(4), 477–500. <https://doi.org/10.24034/j25485024.y2011.v15.i4.166>
- Sutikno, S. (2020). Steady State Condition Prediction Of Economic Growth In East Java Region. *Jurnal Ekonomi Pembangunan*, 17(2), 164. <https://doi.org/10.22219/jep.v17i2.11063>
- Tampubolon, E. G., Moh. Irvan, & Darwin Hartono3. (2022). Determinan Pertumbuhan Ekonomi Kabupaten/Kota Provinsi Jawa Timur Tahun 2014-2020. *Journal of Applied Business and Economic (JABE)*, 9(1), 68–80. <https://doi.org/http://dx.doi.org/10.30998/jabe.v9i1.14711>
- Wistantri, C. A. R., & Bintariningtyas, S. (2023). Analysis of Factors Affecting the Economic Growth of the Districts/Cities of West Java Province in 2017-2021. *KINERJA*, 27(2), 231–247. <https://doi.org/10.24002/kinerja.v27i2.7168>
- Wu, J., Wood, J., & Huang, X. (2021). How does <sc>GVC</sc> reconstruction affect economic growth and employment? Analysis of <sc>USA–China</sc> decoupling. *Asian-Pacific Economic Literature*, 35(1), 67–81. <https://doi.org/10.1111/apel.12319>
- Yeisa, W., & Rani, L. N. (2020). Analisis Faktor-Faktor Yang Mempengaruhi Pertumbuhan Ekonomi Di Oki. *Jurnal Ekonomi Syariah Teori Dan Terapan*, 7(6), 1128. <https://doi.org/10.20473/vol7iss20206pp1128-1145>
- Yudha, N. N. P. D., & Purwanti, P. A. P. (2023). Analisis Faktor-Faktor Yang Mempengaruhi Pertumbuhan Ekonomi Dan Tingkat Kemiskinan Pada Kabupaten/Kota Provinsi Bali. *Ekonomi Dan Bisnis Universitas Udayana*, 12(8), 1661–1671. <https://doi.org/https://doi.org/10.24843/EEB.2023.v12.i08.p19>
- Zuhdiyaty, N., & Kaluge, D. (2018). Analisis Faktor - Faktor Yang Mempengaruhi Kemiskinan Di Indonesia Selama Lima Tahun Terakhir. *Jurnal Ilmiah Bisnis Dan Ekonomi Asia*, 11(2), 27–31. <https://doi.org/10.32812/jibeka.v11i2.42>