Research Article

The Role Community Consumption, Inflation and Human Development Index on Economic Growth in West Java

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ABSTRACT

The problem of the Covid-19 pandemic that occurred in all parts of Indonesia including the economic growth and the determinants of economic growth were very diverse, including public consumption, inflation and the development of the human index. Stable economic growth had an important impact on people's welfare. There were various factors that can influence economic growth, including public consumption, inflation and the human growth index (IPM). This study aimed to determine the effect of public consumption on community growth, determine the effect of inflation on economic growth, the effect of the human growth index (HDI) on economic growth, and the effect of community consumption, inflation, human growth index (HDI) on economic growth in West Java. The method used was a quantitative method. The data were processed using SPSS 21. The data were taken from the Central Statistics Agency of West Java. The data is in the form of time series from 2015 to 2020. The results of the study explain that there is an influence of community consumption on community growth, there was an effect of inflation on economic growth, and there was an influence of the human growth index (HDI) on economic growth, and the influence of community consumption, inflation, HDI on economic growth in West Java Indonesia. The government should decreased the inflation.

Keywords: *community consumption, inflation, human development, economic growth*

Background

Economic development is a process of increasing total and maximum income, per capita income of the population by calculating the increase in population accompanied by fundamental changes in the economic structure of a country and income distribution for the population in the long term. Developing countries

usually face three main challenges in economic development. Of the three problems, namely poverty, economic inequality, and unemployment, the numbers are increasing. The economic development must consider og the coutries'caracteristic (Nazara, S., 2003). The development carried out and sustainable in various sectors until now has not been able to overcome the poverty that occurs in the territory of Indonesia. The development carried out in each sector is also still uneven and has not fulfilled the needs of the community. It can be seen that until now the problem of economic inequality has not been properly addressed. On the other hand, the increasing number of developments has resulted in an increasing series of inequalities in the distribution of community consumption in Indonesia.

The problem of the Covid-19 pandemic that occurred in all parts of Indonesia, has a further effect, because income is reduced, new problems will arise, such as the income distribution gap that occurs and is getting wider. The socio-economic conditions of the community during the Covid-19 pandemic are moving very dynamically. The implementation of Large-Scale Social Restrictions (PSBB) and a number of other restrictions have made it difficult for people who work in the informal sector to meet their economic needs. As many as 24 percent of the people had to stop working, while those who continued to work, around 64 percent, had their income reduced due to the Covid-19 pandemic. (TNP2K Bulletin, 2020, p. 20).

Based on data from the Central Bureau of Statistics (BPS), in March 2018 it was stated that the number of poor people in Indonesia was calculated at 25.95 million people (9.82%). This figure resulted in a decrease of 633.2 thousand people, from the previously recorded 26.58 million people (10.12%) in September 2017. In the current era of Jokowi's administration, he said that previously there had never been any results in reducing poverty to less than 10% of the total population. In the era of President Soeharto's administration, which was only approaching 10% when it was about to enter the fifth Repelita, but in 1998 it was affected by the monetary crisis which resulted in a 24% increase in income inequality in 1998. Achievements in the New Order era only reached 11.3%. of the total population. On the other hand, during the era of President Susilo Bambang Yudhoyono (SBY), the poverty rate was at 14-17%.

Based on data from the Central Statistics Agency (BPS) it is said that poverty declines almost occurred in various island regions in Indonesia. Based on the data, the poorest population is on the island of Java with a total of 13.34 million people (8.94%). Head of the Central Statistics Agency (BPS), Suhariyanto, said that the cause of the poverty rate was indicated by several factors in the period September 2017 to March 2018, including general inflation for this period which was 1.92%, the average per capita expenditure per month for households, namely 40% of the lowest layer in the range of 3.06%, while cash social assistance from the Indonesian government grew 87.6% in the first quarter of 2018. (https://tirto.id/cara-cara-measure-poverty-rate-other than-by-bps-cPl6 method).

Economic movement and growth can explain the achievements of the development of an economy at a certain time.The government tried to make the best policies. But the policies made disparity in regional economic development (Oktorialdi., 2002). The ability of the state to produce products and services will increase due to production factors that will definitely get an increase in quantity and quality (Maharani, 2014). Economic growth is an increase in economic development activities that cause goods and services produced in the community to increase which will ultimately improve people's welfare (Sukirno, 2013).

The determinants of economic growth are very diverse, including public consumption, inflation and the development of the human index. Community consumption is also influenced by several factors, including the price of goods, people's tastes and policies taken by the government. The role of inflation is also suspected to be a determining factor for economic growth. Bank Indonesia's fiscal policy also plays an important role. The determination of interest rates will also affect the capital readiness of economic actors, including MSMEs and large-scale companies. If you look at data from one of the provinces in Indonesia, namely the

province of West Java, the position of community consumption is very volatile. The following is the expenditure data per province in West Java, as follows:
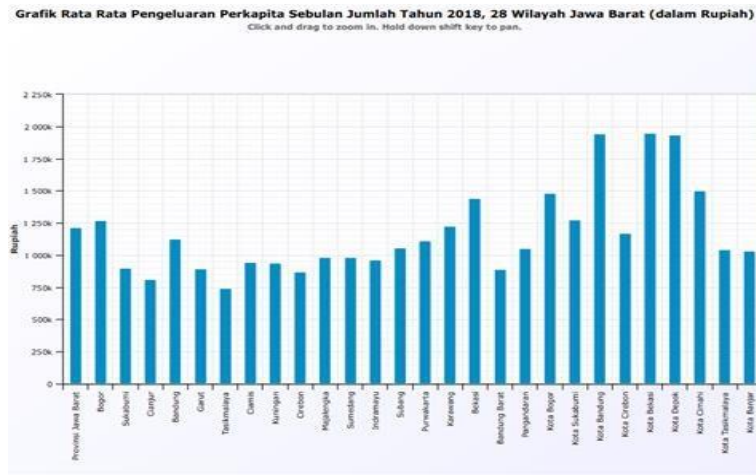

Figure. 1 Per capita expenditure

In the picture above, occupying the top 3 per capita expenditures, namely the cities of Bandung, Depok and Bekasi. While the lowest 3 are Tasikmalaya, West Bandung, and Cianjur. Overall income per capita in West Java reached Rp. 1,218,078, in 2018.

Table. 1 Per capita expenditure and Index Human Development

Output Tabel Dinamis

Wilayah Jawa Barat	Rata Rata Pengeluaran Perkapita Sebulan (Rupiah)	Indeks Pembangunan Manusia
	Jumlah	
	2018	2018
Provinsi Jawa Barat	1 218 079	71.30
Bogor	1 270 506	69.69
Sukabumi	901 049	66.05
Cianjur	812 821	64.62
Bandung	1 126 162	71.75
Garut	894 372	65.42
Tasikmalaya	742 152	65.00
Ciamis	944 296	69.63
Kuningan	942 329	68.55
Cirebon	871 065	68.05
Majalengka	982 723	66.72
Sumedang	985 682	70.99
Indramayu	963 495	66.36
Subang	1 057 047	68.31
Purwakarta	1 112 260	69.98
Karawang	1 227 161	69.89
Bekasi	1 440 190	73.49
Bandung Barat	889 334	67.46
Pangandaran	1 056 001	67.44
Kota Bogor	1 482 069	75.66
Kota Sukabumi	1 276 009	73.55
Kota Bandung	1 943 774	81.06
Kota Cirebon	1 171 884	74.35
Kota Bekasi	1 947 327	81.04
Kota Depok	1 937 176	80.29
Kota Cimahi	1 500 443	77.56
Kota Tasikmalaya	1 043 654	72.03
Kota Banjar	1 033 228	71.25

Source: BPS (2018)

It appears that the highest consumption in the city of Bekasi is Rp. 1,947,000 per month in 2018. While the lowest consumption is at Rp. 742. 152 per month in 2018. The average household consumption in West Java province is Rp. 1,218,078, in 2018.

While the highest HDI occurred in the city of Bandung, with a score of 81.06. The lowest was in the city of Cianjur with a score of 64.62. Bandung city HDI achieved the highest score, in 2018. This was due to the Bandung city government program which held various agendas and superior programs. Starting from health, education and economic programs, it is an assessment element for increasing HDI in the city of Bandung. The three elements of the assessment experienced an average increase. The life expectancy component increased to 74.14 in 2019. Likewise in the field of education, it rose to 10.63 years the average length of schooling in 2018. In 2018 it was Rp. 16.63 million. and experienced an increase in Bandung City's per capita expenditure in 2019 of Rp. 17,254,000.

Furthermore, if a country's economic growth is not encouraging, then Bank Indonesia as a monetary policy maker will take policy steps to overcome obstacles to economic growth. If high inflation occurs, there will be an economic imbalance which results in the price of expensive goods, and in the end it will slow down economic growth and will result in the fulfillment of people's consumption needs which are not fulfilled. The following is inflation data in the province of West Java.

Table 2. Inflation Data

Wilayah Inflasi Jawa Barat	Inflasi Tahunan (Persen)		
	2018	2019	2020
Jawa Barat	3,54	3,21	2,18
Kota Bogor	3,69	3,02	2,18
Kota Sukabumi	2,95	2,33	1,84
Kota Bandung	3,76	2,78	1,75
Kota Cirebon	2,80	2,00	1,16
Kota Bekasi	4,23	4,28	2,81
Kota Depok	2,86	3,29	1,78
Kota Tasikmalaya	2,30	1,72	1,61

Based on the description above and the background and title of the study, the formulation of the problem in this study is:

a) Does community consumption affect the economic growth of West Java province?
b) Does inflation affect economic growth in West Java?
c) Does the human development index affect economic growth in West Java?
d) Do public consumption, inflation and human growth index affect economic growth in West Java?

Methods

This research uses quantitative methods. The data is taken from the BPS data of the province of West Java. The data is in the form of time series data.
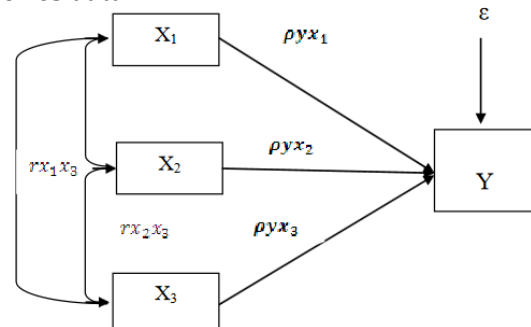

Figure 1. Path chart

The picture above shows that between Community comsmption (X1), inflation (X2), human development index (X3) to economic growth (Y) , there are connection. While the relationship of X1 to X2, X1 to X3, and X2 to X3 is a correlational relationship.

The diagram above can be expressed by the following structural equation:

Structural equation:

Y = 1 X1 + 2 X2 + 3 X3 +

Information:

X1 = Community Consumption

X2 = Inflation

X3 = Human Development Index

Y = Economic Growth

Result and Discussion

The data that has been collected is tested for assumptions, with normality and multicollinearity tests. If the data has met the normality and multicollinearity tests, then the data will be processed, to determine the relationship between each variable.

The results of the normality and mutilinearity of the data are as follows: Regression requirements are good if the research data follows a normal distribution. Based on the normality test of the data, the hypothesis test which states that the distribution of the data in this regression analysis follows the normal distribution. This is indicated by all the Asymp values. Sig. > 0.05. This means that all data are normally distributed.

The multicollinearity test aims to test whether the regression model found a perfect correlation between the independent (independent) variables. A good regression model should not have a correlation perfect among the independent variables. One way to detect multicollinearity is to look at the tolerance or variance inflation factor (VIF). If tolerance < 0.1 or VIF value > 10, multicollinearity occurs.

The results of the multicollinearity test show that the results of all Tolerance values > 0.1 or all variance inflation factor (VIF) values < 10. So it can be stated that there is no multicollinearity between the independent variables of parents' education level, parental attention, and interest in learning in regression analysis this double.

Table 3. Chart of Effects of X1, X2 and X3 on Y

Variabel	Correlation	Correlation Level	Coefficient of Determination
X1 to Y	0.720	Very Strong	63.31%
X2 to Y	0.521	Medium	42.01%
X3 to Y	0.613	Strong	52.71%
X1, X2, X3 to Y	0.761	Very Strong	62.41

From the data above we can say that, consumption affected the economic growth of West Java province (0.720), inflation affected economic growth in West Java (0.521), the human development index affected economic growth in West Java (0.613), and public consumption, inflation and human growth index affected economic growth in West Java(0.761).

This research can be the basis for further research. However, it can also be a complementary research for previous research. Research by Swamarinda, D. R., & Indriani, S. (2011), which has examined the effect of consumption expenditure on economic growth. The results of the study stated that public consumption expenditures had an effect on economic growth.

Mahzalena, Y., & Juliansyah, H. (2019) research entitled The effect of inflation, government spending and exports on economic growth in Indonesia, also states that economic growth is influenced by inflation.

Dewi, N. L. S., & Sutrisna, I. K. (2014) research entitled The influence of the components of the human development index on economic growth in Bali Province, states that the human development index affects economic growth in Bali. We can realize this, that one way to move the wheels of the country's economy, one of which is by boosting the quality of human resources, so that Indonesia's abundant natural wealth can be optimized by the people of Indonesia by improving the skills and

technological capabilities of the current century. The importance of human resource development is one of the goals of sustainable national development (Abdul Maqin, R., & Sidharta, I., 2017)

Conclusion

There is an influence of public consumption on community growth, there is an effect of inflation on economic growth, and there is an influence of the human growth index (HDI) on economic growth, and the influence of public consumption, inflation, HDI on economic growth in West Java Indonesia. Community consumption is an indicator that is closely related to economic growth. If people's purchasing power is low, the fulfillment of their needs will be disrupted. The absence of production of goods, so that economic growth is also affected. Likewise with inflation, if inflation is high then the value of money will decrease, and will result in low economic growth. The human development index is closely related to economic growth. If the ability of human resources is increased, there will be a massive production of goods or services. Indonesia's vast natural wealth requires strong human resources and high fighting power.

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