ANALYSIS OF INCLUSIVE ECONOMIC DEVELOPMENT IN 6 INDONESIAN PROVINCES

Nanda Auliani[1], Irwan Safwadi[2], Jariah Abu Bakar[3*]

[1,3]Economic Development, Malikussaleh University, Lhokseumawe, Indonesia
[2]Economic Development, Abulyatama University, Banda Aceh, Indonesia
*Corresponding Author: Jariah@unimal.ac.id

ABSTRACT

This study analyzed the effect of the Gini ratio, women's income, and the level of poor people on the inclusive economic development index in 6 Indonesian provinces. This study uses quantitative data from 2015-2021 using a panel data model. The results showed that the Gini ratio variable positively and significantly affected the inclusive economic development index in 6 Indonesian provinces. The female income variable does not positively and significantly affect the inclusive economic development index in 6 Indonesian provinces. The poor population level variable positively and significantly affects the inclusive economic development index in 6 Indonesian provinces. The Gini ratio variable, women's income, and the level of the poor have a positive and significant effect on the inclusive economic development index in 6 Indonesian provinces.

Keywords: IPEI, gini ratio, women's income, poverty level

INTRODUCTION

Inclusive economic development between provinces in Indonesia shows fluctuating developments. Several economic and non-economic factors can cause these developments (Nurlina et al., 2020). Economic factors can be in the form of government policies such as fiscal policy, monetary policy, and non-economic factors. According to Azwar (2015), several economic problems occur in this country: poverty rate, income inequality, etc. The inclusive economic development index aims to measure the inclusiveness of development in Indonesia through economic growth, inequality, poverty, access, and opportunity. The index consists of three pillars, 8 sub-pillars, and 21 indicators forming inclusive economic development (Bappenas, 2022).

According to Sjafrizal (Siara, 2021), economic inequality between regions is a common aspect of a region's economic activities. Alesina and Rodrik (2014) state that income inequality will hinder growth. The Gini Index helps the government analyze people's economic capabilities because it indicates a country's degree of justice (Henri, 2018). The Gini ratio plays an important role in inclusive economic development and is instrumental in measuring the degree of inequality in population distribution (Henri, 2018). If the gini ratio increases, it will impact the inequality that occurs in various regions such as high unemployment and reduce the country's per capita income. However, this can be prevented by the government by increasing development in areas where inequality occurs, the aim is to reduce poverty levels (Azwar, 2016).

According to the World Economic Forum (WEF 2019) states that there is still a large gap regarding labor wages between women and men. If this condition continues, the envisioned gender equality will not be achieved in the near future. female workers' income is the result received by a woman for a certain period of time as a reward for the factors of production that have been given to the employer or company (Azizah, 2017).

According to Azwar (2016) poverty occurs because the growth that occurs is only contributed by a small group of people. If this happens, the poor will be increasingly marginalized because of their

small contribution to economic activity. In turn, income inequality will widen as the rich get richer and the poor get poorer (Hariyono, 2020). The relationship between inclusive growth and labor is also suggested by the World Bank (2019). Inclusive growth will be achieved through the growth of labor-intensive industries and improvements in labor quality. Both of these will absorb more labor, thus reducing the poverty rate and encouraging *full employment* (Felipe, 2018). To see the development of all variables in Indonesia, it is explained through the following graph:

Figure 1.
Development of IEI, Gini Ratio, Women's Income and the Level of poor people in 2017- 2021 in 6 Provinces of Indonesia
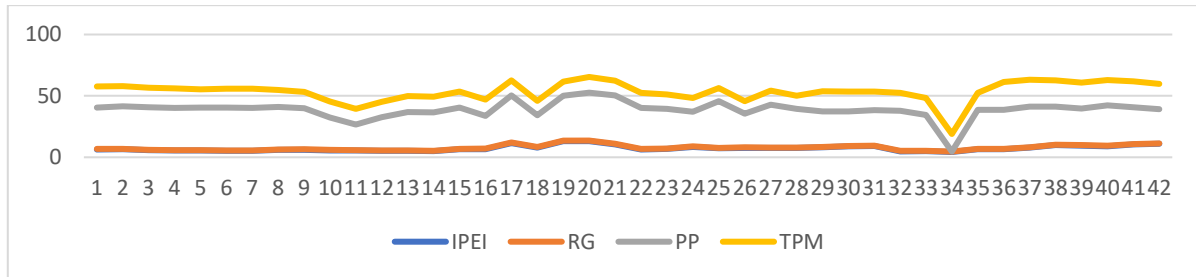
Based on the graph above, it can be explained that all independent variables have a relationship with the inclusive economic development index where every movement of the gini ratio and others, IPEI also moves, whether it decreases or increases. As with the lowest condition of IEI in 2020-2021, which occurred in the provinces of Aceh, South Sumatra and NTB amounting to 5.21, 4.94, and 4.34, this condition was caused by a pandemic or Covid-19 outbreak in Indonesia, so that all economic activities were stopped or limited, this had an impact on reducing inclusive economic development. Furthermore, in West Java Province and NTT, the lowest conditions occurred in 2015 at 6.34 and 6.49. This is due to the imbalance in the level of inequality and the unevenness of the poor population in the region. Meanwhile, the average condition in the 6 provinces occurred in 2018 at an average value of 5-7. In this condition, there is a balance between income inequality and poverty levels. This means that when income inequality is at an average condition, it will be followed by a poverty rate that does not increase or decrease.

LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT
Inclusive Economic Development

Inclusive economic development is development that can provide benefits to the entire community while being directly or indirectly involved in the development process. Inclusive economic development according to Ramos and Lammens (2011) is a process that includes a benefit-sharing dimension and a participant dimension. The inclusive economic development index emerged in 2011 and began to pay more attention and focus, where in that year the government made a commitment that future economic growth would pay more attention to inclusive development, so that it would not only focus on economic growth. The inclusive economic development index aims to measure the inclusiveness of development in Indonesia through aspects of economic growth, inequality and poverty as well as access and opportunity. The index number consists of three pillars and 8 sub-pillars as well as 21 indicators that form inclusive economic development (Bappenas, 2022).
Gini Ratio

One measure of inequality that is often used is the Gini Index (Gini Ratio). The Gini Index is a measure of equality which is measured by comparing the area formed between the diagonal and the Lorenz Curve (income distribution) divided by the area of the triangle below the diagonal. Argue that a reduction in inequality (improvement in income distribution) is always inconsistent with an increase in the incidence of poverty unless there are two aspects underlying this inconsistency, namely variations in income distribution from the lowest classes increasing drastically as a result of the crisis and methodological problems related to doubts. in measuring poverty and inequality indicators. The

Gini Index, Gini Ratio, or Gini Coefficient is a measure of aggregate inequality that was first developed by an Italian statistician named Corrado Gini and published in 1912.

The Gini Index, Gini Ratio, or Gini Coefficient is a measure of aggregate inequality that was first developed by an Italian statistician named Corrado Gini and published in 1912. Income inequality is a condition where the distribution of income received by society is unequal. The Gini Index is expressed as a number with a value of 0 to 1. If the Gini Index is 0, it means perfect equality, whereas if it is 1, it means perfect inequality (Todaro and Smith, 2016).

Women's Income

Income is remuneration in the form of money that an employee receives as a consequence of his status as an employee who contributes to achieving company goals or can be said to be a fixed payment that a person receives because of his position in a company. Workers are people who work and receive wages for the results of their work. A woman is a person (human) who has vagina, can menstruate, get pregnant, give birth to children and breastfeed.

Explains that women's income is income obtained from the results of empowerment carried out to improve women's skills, eradicate poverty and fulfill women's rights in increasing their own potential. The role of women in the economy is a phenomenon that has been going on for a long time and has entered the socio-economic life of society in Indonesia (Watora, 2021).

Poor Population

Poor people are people whose average monthly per capita expenditure is below the Poverty Line (GK), obtained from survey results (sample). The poverty figures released by the Central Statistics Agency (BPS) are macro data and are the results of the Susenas (National Socioeconomic Survey) which shows the percentage of poor people to the total population in an area. Current social thinking focuses more on the causes of poverty on factors that are considered to influence the number of poor people in an area. These factors are dimensions of welfare or poverty which are then used as factors that determine the size of the poor population (Ghazali, 2018).

RESEARCH METHODS

This study was conducted to analyze the effect of the Gini ratio, women's income and the level of poor people on the inclusive economic development index in 6 Indonesian provinces. This study uses quantitative data from 2015-2021 using a panel data model. The formulation of multiple regression analysis in research is as below: (Sugiyono, 2016).

$$Y_{it} = a + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + e_{it}$$

RESULTS AND DISCUSSION

In conducting panel data regression, there are three types of models that can be used in data regression, namely the *Common Effect Model*, *Fixed Effect Model* and *Random Effect Model.* So to be able to choose which model is right to use, it is necessary to do the chow test and haustman test.

The Chow test is a test to determine the most appropriate panel data regression model between *Common Effect* or *Fixed Effect* to be used in estimating panel data. The Chow test estimation results using the *Redundant Fixed effect - Likelihood Ratio* obtained the following results:

Table 1.
Chow Test Results

Effects Test	Statistic	d.f.	Prob.
Cross-section F	1.051299	(5,33)	0.4047
Cross-section Chi-square	6.207844	5	0.2865

Source: Data processed with Eviews 10, 2023

Based on the Chow Test results in the table, the probability value is 0.2865 where the probability value is greater than the significance level α=5% (0.2865>0.05) or reject [H1] and accept [H0]. Then the appropriate panel model used in this study is Common Effect.

Hausman test to find out the most appropriate model between the *Fixed Effect Model* and the *Random Effect Model. The* Hausman test estimation results using the *Correlated Random Effects - Hausman Test* obtained the following results:

Table 2.
Hausman Test Results (Correlated Random Effects-Hausman Test)

Correlated Random Effects - Hausman Test			
Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	5.156655	3	0.1607

Source: Data processed with Eviews 10, 2023

Obtained a probability value of 0.1607 where the probability value is greater than the significance level α = 5% (0.1607>0.05) or reject H_1 and accept H_0. Then the appropriate panel model used in this study is the Random Effect Model.

Lagrange multiplier test as a test to determine which method is more appropriate to use between the *common effect model* and the random effect model*.* The results of the Lagrange multiplier test are shown in the following table:

Table 3.
Lagrange Multiplier Test

Null (no rand. effect)	Cross-section	Period	Both
Alternative	One-sided	One-sided	
Breusch-Pagan	18.80320	1.160234	19.96344
	(0.0000)	(0.2814)	(0.0000)

Source: Data processed with Eviews 10, 2023

LM testing shows the LM value is 0.0000, it can be concluded that the value of 0.0000 < *chi square* (0.0000 <0.05) means that the most appropriate regression model used in this study is the Random Effect Model.

Basuki & Prawoto (2015) state that the Random Effect estimation model is called the *Error* Componenr Model (ECM) or Generalized Least Square (GLS) so that it no longer requires classical assumption testing, so it can be concluded that classical assumption testing is no longer needed in panel data regression with the Random Effect model.

The results of the LM test obtained the best model used in this study are *Random Effect Model*. The regression results of the Random Effect Model in this study are as follows:

Table 4.
Random Effect Model Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-15.18441	3.696242	-4.108067	0.0002
RG	42.10475	7.274566	5.787940	0.0000
PP	0.101537	0.065714	1.545129	0.1306
TPM	0.267785	0.079401	3.372565	0.0017

Source: Data processed with Eviews 10, 2023

Based on the table above, the research can obtain the regression result equation, which is as follows:

IPEI =-15.18441 + 42.10475RG + 0.101537PP + 0.267785TPM

The constant value is -15.18441 which means that if the value of the gini ratio, women's income and the level of the poor are constant, then the inclusive economic development index has a fixed value. The gini ratio regression coefficient has a value of 42.10475. This means that if the gini ratio

increases by 1%, the inclusive economic development index increases by 42.10475%, assuming that women's income and the level of the poor are constant. The Regression Coefficient of women's income is 0.101537. This means that if women's income increases by 1%, the inclusive economic development index increases by 0.101537%, meaning that the increase in the inclusive economic development index is due to the increasing contribution of female workers who are able to improve economic development for the better. Yohana (2014) states that women drive the economy of a region. The regression coefficient of the level of poor people is 0.267785. This means that if the level of poor people increases by 1%, the inclusive economic development index will increase by 0.267785%, assuming that the gini ratio and women's income are fixed.

To determine the level of significance of each regression coefficient of the independent variable on the dependent variable, statistical tests such as the coefficient of determination test, T test, and F test can be used.

The Correlation Coefficient is used to see how much the dependent variable is related to the independent variable. The results can be seen in the table 5.

Table 5.
Test Results of Correlation Coefficient (R) and Determination (R^2)

R-squared	0.515593	Mean dependent var	7.425952
Adjusted R-squared	0.477350	S.D. dependent var	2.263343
S.E. of regression	1.636273	Sum squared resid	101.7408
F-statistic	13.48213	Durbin-Watson stat	1.148401
Prob(F-statistic)	0.000004		

Source: Data processed with Eviews 10, 2023

The correlation coefficient value is 0.718048. This means that the relationship that occurs between the Gini ratio variable, women's income and the level of poor people on the inclusive economic development index is 71.80%. This means that the ability of the independent variables as a whole to increase the inclusive economic development index is strong.

The R-squared value in this study is 0.515593, the influence or ability of the independent varables with the dependent variable in this study is 51.55% while the other 48.45% is influenced by variables outside the study.

The t test is used to see the significance of the influence of the independent variables individually on the dependent variable by assuming that the other independent variables are constant.

Table 6.
Partial Regression Coefficient Test (t test)

Variabel Bebas	t-Statistik	t-Tabel	Alpha	Prob	Ket
RG	5.787940	2.024	0,05	0.0000	Signifikan
PP	1.545129	2.024	0,05	0.1306	Tidak Signifikan
TPM	3.372565	2.024	0,05	0.0017	Signifikan

Source: Data processed with Eviews 10, 2023

The t-count value of the gini ratio is 5.787940> 2.024. Indicates that the gini ratio variable has a positive and significant effect on the inclusive economic development index. The t-count value of women's income is 1.545129<2.024, meaning that women's income does not have a positive and significant effect on the inclusive economic development index, with a probability value greater than alpha 0.05. The poor population level variable is 3.372565>2.024, meaning that the poor population level variable has a positive and significant effect on the inclusive economic development index with a probability value smaller than alpha 0.05.

The F test is used to determine whether the independent variables as a whole are statistically significant in influencing the dependent variable.

Table 7.
Simultaneous Regression Coefficient Test (F Test)

F-Statistik	F-Tabel	Alpha	Prob	Ket
13.48213	*2,85*	*0,05*	*0.000004*	*Signifikan*

Source: Data (Processed), 2022

F-count value=13.48213, F-table value of 2.85 from alpha 0.05. Then the F-count> Ftabel value is 13.48213>2.85. So, it can be concluded that together the independent variables have a significant influence on the dependent variable.

The results of this study are in accordance with the theory of Azwar (2016) which states that inclusive development is not only growth that creates new economic opportunities but also ensures equal opportunities for all levels of society, especially the poor. So that the gini ratio has a major effect on the development of inclusive economic development, where the lower the gini ratio, the more inclusive the economy develops. The results of this study are also in accordance with Pratama's research (2020) and also Hidayat (2020) which states that the gini ratio affects economic growth. However, the results of this study contradict research conducted by Nurlina (2020) which states that the gini ratio has a negative effect on inclusive economic development.

The Effect of Women's Income on the Inclusive Economic Development Index

The results of the author's research are in accordance with the statement of Wulandari et al, (2022) and also Amory (2019) which states that women's income or women's income contribution has no effect on economic development. This is due to women's participation in the labor market, women's literacy rate, women's education level, and the culture that is still inherent in Indonesia for women's work as people who have full responsibility for housework. This means that the role of women in Indonesia is still considered with the breadth of customs and culture in Indonesia. Moreover, women's income contribution is also influenced by the rule of law and gender equality that applies in each country.

This research is inversely proportional to the research of Hariyono (2020) and Yulida (2012) which states that women are the drivers of the economy of a region. So that women's involvement must be considered more to lift the economy for the better, such as women's involvement in the local economy, politics, and the development sector.

The Effect of the Poor Population Level on the Inclusive Economic Development Index

The results of the author's research are in accordance with Hidayat (2020) where poverty affects inclusive development, because the majority of people living in poverty tend to have limited access to technological advances, education, health, and other resources needed for strong economic development and inclusive development. sustainable. Thus, the reduction of the poor population can increase more inclusive economic development. This research is inversely proportional to the research of Parmadi & Selamet (2019) which states that poverty as measured by the number of poor people has a negative effect on economic growth between islands in Indonesia.

Effect of Gini Ratio, Women's Income and Poor Population Level on Inclusive Economic Development Index.

Based on the results of the study simultaneously, it is known that all independent variables have an influence on the independent variable. This proves that if you look at the relationship between all variables, then all variables have an influence, where the inclusive economic development index will be better when the Gini ratio decreases or is below 3, if it is balanced with women's income, which in some provinces is more dominant in its development on women's income and also reduces the level of poor people.

The results of the author's research are in accordance with Hidayat (2020) where poverty, inequality and others affect inclusive development, because the majority of people living in poverty tend to have limited access to technological advances, education, health, and other resources needed in strong and sustainable economic development. Therefore, a reduction in poverty can lead to more inclusive economic development.

CONCLUSION

The gini ratio variable has a positive and significant effect on the inclusive economic development index in 6 Indonesian provinces. Women's income variable does not have a positive and significant effect on the inclusive economic development index in 6 Indonesian provinces. The poor population level variable has a positive and significant effect on the inclusive economic development index in 6 Indonesian provinces. Gini ratio variables, women's income and the level of poor people have a positive and significant effect on the inclusive economic development index in 6 Indonesian provinces.

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