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Strengthening the Inclusive Economy to Support the SDGs Through the Population Sector

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Abstract

High economic growth not only helps improve welfare but is also an indicator of the success of a country's economic development. However, high economic growth cannot guarantee that everyone will get the same benefits. Therefore, this research aims to determine the role of the population sector in supporting the achievement of sustainable development goals (SDGs) in the context of strengthening an inclusive economy. This research uses secondary data obtained from the World Bank and was carried out using multiple linear regression analysis techniques. The research results show that inflation, population, unemployment and per capita income have a significant effect on economic growth simultaneously. This study shows that Indonesia's inclusive economy still faces many challenges.

INTRODUCTION

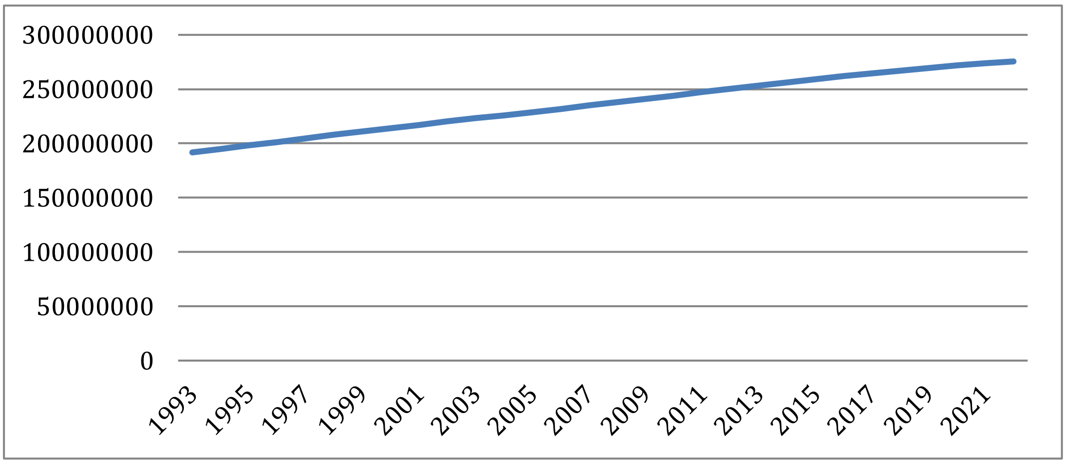
With the current era of globalization entering, economic development is still the main focus for many countries in the world, especially Indonesia. However, there is a big challenge faced by many communities, namely economic inequality which can hinder the achievement of the SDGs goals. SDGs is an initiative to achieve sustainable development in the world through three aspects, namely the economy, society and the environment, and is an action plan that aims to realize people, planet Earth, prosperity and world peace. SDGs targets are integrated and comprehensive, global in nature, can be used universally, take into account the realities of each country with different capacity and levels of development, and can be applied in all countries (Ishar tono et al.) .

The eighth goal of the Sustainable Development Goals (SDGs) Program is an inclusive economy. The aim is to promote an inclusive and sustainable economy, create productive and inclusive employment opportunities, and ensure that jobs are available to all demographics. Therefore, studies conducted must consider components that can encourage an inclusive economy to achieve targets by 2030 (Rezaneri , 2021) .

Achieving the SDGs not only requires significant economic growth but also requires strengthening the inclusive economic sector so that the benefits are felt by all levels of society. Apart from that, the population sector in Indonesia has a crucial role in implementing inclusive economic development policies. With a population of

275.5 million in Indonesia in 2022, the majority of this population will contribute to Indonesia's economic growth.

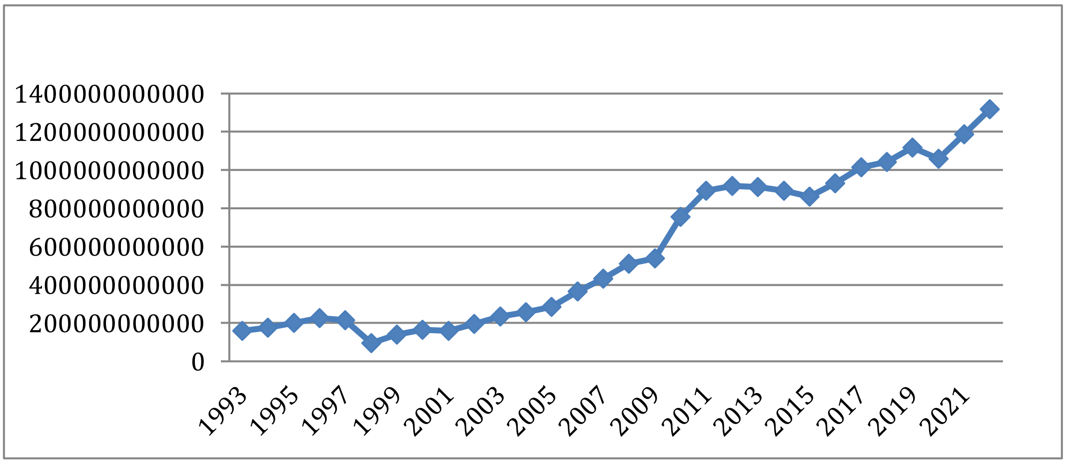
Figure 1. Total Population of Indonesia 1993-2022



Source: World Bank, 2023

Indonesia's economic growth in recent years is still considered to be quite high, at 5.31% in 2022 (Central Statistics Agency , 2022) . Apart from that, based on the data obtained, economic growth in Indonesia shows developments that can be said to be quite fluctuating. The two factors that factor into economic growth are economic factors and non-economic factors (Dewi Purwanti & Rahmawati, 2021)

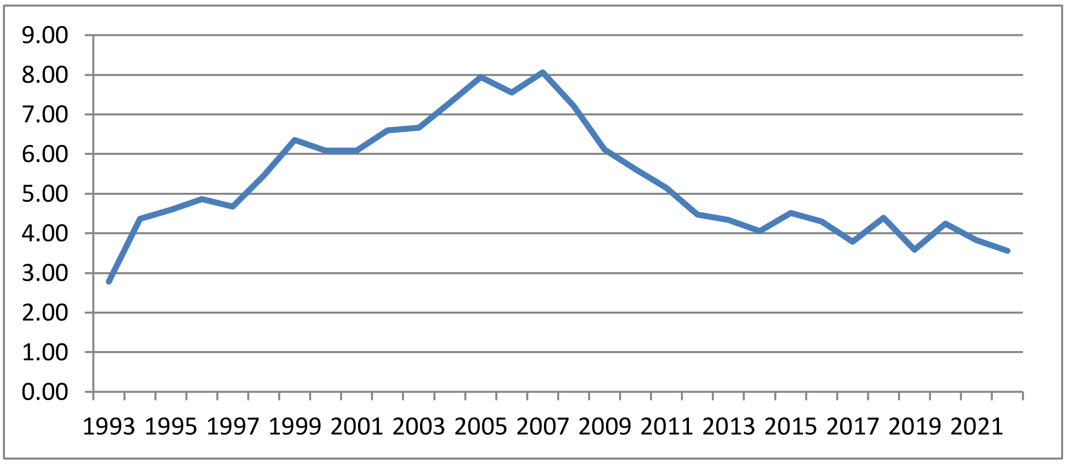
Figure 2. Indonesia's Economic Growth 1993-2022



Source: World Bank, 2023

The government's fiscal and monetary policies, as well as the country's economic conditions, can be sources of economic factors. Non-economic factors can also come from things such as natural disasters, socio-cultural problems, and so on. Unemployment is one of Indonesia's many economic problems which is still high. Unemployment has quite a significant effect on economic growth. This results in a reduction in economic productivity, an increase in social and economic burdens, a reduction in tax contributions, an increase in government burden and a long-term impact on workforce skills.

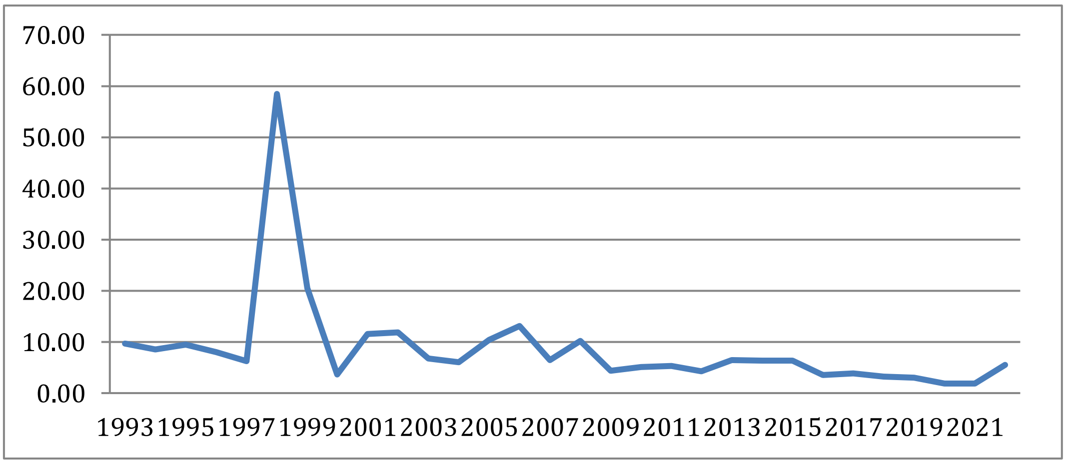
Figure 3. Number of Unemployed



Source: World Bank, 2023

Inflation is still a factor inhibiting economic growth in Indonesia. Meanwhile, inflation can be interpreted as a condition or condition of a country's economy experiencing a general increase in the value of goods and services over a long period. The impact brought by inflation is quite large, such as purchasing power and consumption where consumers have to pay more for the goods and services they use. Apart from that, inflation is an obstacle to investment and has real interest effects. This can reduce the incentives for individuals and companies to keep money in banks or invest in financial instruments.

Figure 4. Inflation 1994-2022



Source: World Bank, 2023

Inflation is one of the variables that has an impact on economic growth. Two different types of inflation are Demand-Pull Inflation and Cost-Push Inflation. The first is a very significant inflation phenomenon, and if it occurs, it can be very detrimental to many parties. Occurs when economic production activities are falling drastically, causing instability in domestic money circulation. Meanwhile, Demand Pull Inflation is a condition where the demand for goods and services exceeds the supply of available stock, thereby forcing an increase in the overall cost of living.

In a journal written by, Klasen stated that inclusive growth can be interpreted as growth efforts that ensure equal access to growth, are not discriminatory, and can minimize differences between groups. According to, inclusive economic growth is expanding access to economic goods and expanding markets and the size of the economy by creating equal opportunities for future generations.

According to UNDP, this will be based on the income and production aspects of GDP, and the process and results will generate enthusiasm and participation from all stakeholders, who will equally benefit from this growth. In addition, Bappenas states that inclusive growth means economic development that creates inclusive opportunities and access equally for everyone, reduces disparities between regions and groups, and creates an equal distribution of population welfare. According to the International Disability and Development Consortium (IDDC), inclusive economic development is a process to ensure that all marginalized community groups are fully involved in the development process.

The concept of SDGs first appeared at the UN Conference on Sustainable Development held in Rio de Janeiro, Brazil, in 2012. This conference aims to create goals that are widely recognized and can be integrated with the three pillars of sustainable development: environmental, social and economic.

To implement stability between the three pillars of development, SDGs are based on five main foundations: people, planet Earth, prosperity, peace and partnership, and aim to achieve three noble goals by 2030, namely eradicating poverty, achieving equality, and aiming to achieve equality and overcome climate change. In this case, unemployment is still the main and biggest challenge, and there are still many challenges that need to be resolved to achieve this goal. To achieve these three noble goals, 17 goals have been formulated globally. Goal number 8 is about economic growth providing decent work and supporting sustainable and inclusive economic development, full employment and productivity (Ishartono et al.)

Rosaria Si h ite (2022) says per capita income refers to the average income in a country or region at a certain time, usually a year. By dividing a country's income by its population. Per capita income can be calculated by dividing total regional income by the number of people living in an area. However, gross domestic product (GDP), which is calculated by dividing market prices by the total population of a region, is often not available and is replaced by this figure. GDP can be expressed in terms of market prices or fixed prices, which are chosen according to requirements. Often, the wealth and level of development of a country or region are measured by per capita income.

Per capita income is a general parameter that is useful for measuring the level of welfare of the people in an area. According to research by Rosaria Sihite (2022) It can be concluded that the per capita income variable has a positive and significant effect on economic growth.

Population, if interpreted in general terms, is the total number of people residing in a country's demographic area within a certain period and who have fulfilled several requirements determined by the government in that demographic area. According to Jonny Purba, residents are people who are individuals as well as family members, citizens or community members who live in a certain place in a certain region of the country and also at a certain time (Romaito Aritonang et al., 2023) .

According to Murni Asfia, unemployment is someone who does not have a job and has no income (. Apart from that, unemployment is a condition where a person enters the workforce to get a job but has not yet gotten it. Research carried out by

Umi Kalsum indicates that unemployment has an influence significant to economic growth. Therefore, we can conclude that unemployment causes a decrease in annual economic growth. (Kalsum et al.) .

Inflation is one of the economic factors that is quite important, the growth rate is kept low and stable so as not to trigger the emergence of macroeconomic diseases that can cause economic instability. According to Continuous, Inflation is where the economic condition of a country experiences a spike in the prices of goods and services over a long period. Inflation affects the economy both positively and negatively

Prima Aulia Daniel's research (2018) Inflation hurts the economic growth variable, although it is not significant. This research is supported by Salim (2021) who states that Indonesia's economic growth is significantly but negatively influenced by the inflation rate. Which means the result of growing economic problems that cannot be overcome. One example is the increase in the inflation rate due to the coronavirus pandemic which has caused an increase in the prices of various basic commodities, including the price of vehicle fuel. Increasing inflation will increasingly affect Indonesia's economic growth.

Economic growth is an increase in income or national income over some time, for example over the last year. Economic growth can also be interpreted as an increase in production capacity and services within a certain period (Sukarn o et al.) GDP growth value is one way to measure economic growth. The GDP growth rate will show how per capita output growth develops in the long term. To find out how effective the government's economic policies are at encouraging national economic activity, this element is very important to analyze (Sukarno et al.)

Economic growth, which is influenced by high growth rates determined by various changes, such as global value accumulation, technological progress and development, and national production, is one measure of the success of economic development. With sustainable economic growth, people's living standards can be improved. (Shahidah Amalia, 2023) .

What differentiates this research from previous research is that many previous studies used variables such as government spending, education spending and health spending. This research uses variables from the population sector such as population and unemployment. Apart from that, what differentiates this research from previous research is that it involves SDGs as the main goal to increase inclusive economic growth in Indonesia.

In Indonesia itself, economic inequality between regions, gender and community groups is a serious challenge that must be faced by Indonesia in achieving sustainable development goals. Indonesia's success in achieving the SDGs inclusively can provide an example for other developing countries. This research aims to determine the role of the population sector in supporting the achievement of sustainable development goals (SDGs) in the context of strengthening an inclusive economy. Therefore, this research hopes to provide a valuable contribution in detailing specific steps that can be taken by the government, stakeholders and the private sector to ensure that every element of society can participate in and enjoy the results of economic development.

RESEARCH METHODS

Data collection technique

The data collection technique used in this research is the documentation technique, which takes and filters data from the World Bank.

Data Analysis Techniques

The data analysis technique used in this method is Multiple Linear Regression Analysis using the classic assumption test which is indicated by the normality test, heteroscedasticity test, autocorrelation test and multicollinearity test. Apart from that, we also carry out the t-test, f-test, and coefficient of determination test, namely:

1. Normality Test
   The Normality Test is a test carried out to assess the distribution of data in a group of data or variables, whether the data distribution is normally distributed or not.
2. Heteroscedasticity Test
   The Heteroscedasticity Test aims to test whether, in the regression model, there is an inequality of variance from the residuals of one observation to another.
3. Autocorrelation Test
   The autocorrelation test aims to test whether, in a linear regression model, there is a correlation between confounding errors in period t and errors in period t-1 (previous).
4. Multicollinearity Test
   multicollinearity test is intended to see the relationship/correlation between each variable.
5. T-test
   The t-test is a test used for hypothesis testing in statistics.
6. F test
   The F test aims to find out whether the independent variables together (simultaneously) influence the dependent variable.
7. Coefficient of Determination Test
   test was carried out to measure the model's ability to explain how the influence of the independent variables together (simultaneously) influences the dependent variable which can be indicated by the *adjusted R–R-squared value.*

The economic model used in this research is

$$Y = \beta 0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 \quad (1)$$

Y = Economic Growth; X_1 = Per Capita Income; X_2 = Population; X_3 = Population; X_4 = Unemployment; β = Coefficient; e = Standard error

RESULTS AND DISCUSSION

Multiple Linear Analysis

Table 1. Regression Results

Variable	Coefficient	t-Statistics	Probability
C	-9.58675773933	-1 . 257574	0 . 2202
Income per capita	8.22353263350	6 . 265353	0 . 0000
Total population	4.49702036214	0 . 930341	0 . 3611
Unemployment	-276752886508	-6 . 327879	0 . 0000
Inflation	52607192.0189	0 . 002970	0 . 9977
R-squared	0 . 987909		
Adjusted R-squared	0 . 985975		
F-statistics	510. 6836		
Prob(F-statistic)	0 . 000000		

Multiple regression equation
Y= -9.59 + 8.22 + 4.50 – 2.77 + 52607192.018 ………………………………………………….(2)

Based on the regression results, the coefficient values obtained for each variable are as follows:

a. With a coefficient value of -9.58675773933, therefore with the variables per capita income, population, unemployment and inflation as independent variables which can be interpreted as constant, then the number of the dependent variable, namely economic growth, will decrease by -9.58675773933.
b. The coefficient figure for the Per capita Income variable (X1) is 8.22353263350, which means that if the per capita income variable increases by 1% and other factors are considered constant, then the economic growth variable will experience an increase of 8.22353263350 per cent.
c. The coefficient number for the Population Number variable (X2) is 4.49702036214, which can be interpreted as if the population number variable increases by 1% and other factors are considered constant, then the population number variable will experience an increase of 4.49702036214 per cent.
d. The coefficient figure for the unemployment variable (X3) is -2.76752886508, meaning that if the unemployment variable increases by 1% and other factors are considered constant, then the unemployment variable will experience a decrease of -2.76752886508 per cent.
e. The inflation variable coefficient (X4) is 52607192.0189, meaning that if the inflation variable increases by one per cent and other factors are considered constant, then the inflation variable will experience an increase of 52607192.0189.

Classical Assumption Test

Table 2. Classic Assumption Test Results

Test	Variable	Prob value	Information
Normality	Per capita income (X1) Population (X2) Unemployment (X3) Inflation (X4)	0.071097	Data is normally distributed
Heteroscedasticity		0.9819	Heteroscedasticity does not occur
Autocorrelation		1.669295	There is no autocorrelation
Multicollinearity		1.909345; 1.129415; 1.889776	There was no multicollinearity

a. Normality Test
In the normality test results, the p-value of the Jarque-Bera test statistic is 0.071097, which is a value above 0.05 (smaller). Thus, H1 is rejected and H0 is accepted; Thus, the error/residual normality assumption is met, or the data is normally distributed.
b. Heteroscedasticity Test
The Glejser results show a prob-chi square value of 0.9819, which is normally greater than α = 5%. Therefore, it is decided to accept H0 and reject H1. Therefore, the assumption that there is no heteroscedasticity is acceptable, or the assumption that the test can defeat heteroscedasticity.

c. Autocorrelation Test
From the results of the Durbin – Watson test that has been carried out, the Durbin – Watson stat value is 1.669295, where the value is dU<d<4-du, so it can be decided that the Durbin – Watson test does not have autocorrelation.

d. Multicollinearity Test
The results of the multicollinearity test which was carried out using the VIF method obtained a result of 81.102053 greater than (81.102053 > 10), so it can be concluded that multicollinearity occurred in this data processing. Therefore, treatment was carried out by eliminating the per capita income variable (X1). After carrying out treatment, the results obtained were 3.6029817 which was smaller than (4.928536 < 10). So it can be said that there are no symptoms of multicollinearity in this data processing.

Partial Test (t-test)

a) With a t-statistic number of 6.265353 and a probability (significance) number of 0.0000 (<0.05), the per capita income variable (X1) is considered to have a partial influence on the economic growth variable (Y). As a result, Ho is rejected and Ha is accepted, indicating that per capita income has a significant positive impact.
b) With a t-statistic number of 0.930341 and a probability (significance) number of 0.3611 (>0.05), the population variable (X2) is not considered to have a partial influence on the economic growth variable (Y). Therefore, Ho is accepted and Ha is rejected, which shows that the population variable has a positive but not significant effect.
c) With a t-statistic number of -6.327879 and a probability (significance) number of 0.0000 (<0.05), the unemployment variable (X3) is considered to have a partial effect on the economic growth variable (Y). As a result, it is concluded that Ho is rejected and Ha is accepted, indicating that the unemployment variable has a negative and significant impact on economic growth.
d) With a t-statistic number of -6.327879 and a probability (significance) number of 0.9977 (>0.05), the inflation variable (X4) is considered to have no partial effect on the economic growth variable (Y). As a result, it is concluded that Ho is accepted and Ha is rejected, which shows that the inflation variable has a positive effect on economic growth.

F Statistical Test

From the results of data regression using Eviews 12, an F-statistic value of 510.6836 was obtained with a Prob value. (F-Statistics) is 0.000000 (<0.05), thus it can be concluded that the variables per capita income, population, unemployment and inflation are independent variables (X) which have a significant and simultaneous influence on economic growth variables or dependent variables (Y).

Coefficient of Determination Test

With an R-squared value of 0.987909, the data regression results show that the economic growth variable as the dependent variable and the independent variables per capita income, population, unemployment and inflation have a significant influence simultaneously or simultaneously on these variables amounting to 98.79 %. Other variables not included in the research influenced 1.21 %.

The Effect of Per Capita Income on Inclusive Economic Growth

Per capita income has a significant influence on economic growth. Therefore, per capita income can be said to have a complex relationship with inclusive economic growth. This can happen because inclusive economic growth can contribute optimally by increasing people's purchasing power, increasing investment and community welfare. Apart from that, this relationship is also caused by several other factors such as income distribution, government policy, and economic structure in Indonesia.

The research has results that are by research conducted by Rosaria Sihite (2022) It can be concluded that the per capita income variable has a positive and significant effect on economic growth.

Apart from that, the SDGs approach to strengthening an inclusive economy can be done by emphasizing community participation in involvement in safeguarding the SDGs. So it can show that per capita income can influence society's ability to be involved in strengthening inclusive economics in the SDGs development process.

The Influence of Population on Inclusive Economic Growth

The population variable has no significant positive effect. This is because not all Indonesian residents contribute or play a role in inclusive economic growth. With Indonesia's population of 273.8 million, of this population there is unemployment and poverty which are still challenges that must be resolved to achieve the planned inclusive economy. However, there is a positive impact produced by a large population which can increase consumption, thereby increasing demand for products and services, thereby encouraging economic growth. Apart from that, a large population can also increase government spending which can support investment and inclusive projects. Therefore, the government is expected to be able to improve community welfare, so that it can encourage inclusive economic growth.

This research is by research conducted by Fitri Yenny (2020) , it was concluded that the population variable does not have a negative and insignificant effect on the economic growth variable.

The Effect of Unemployment on Inclusive Economic Growth

The unemployment variable has a significant negative effect on economic growth. This is because unemployment can reduce people's purchasing power, reduce consumption and inhibit investment, which can slow down economic growth. Meanwhile, unemployment can be caused by internal and external factors. External factors come from the lack of employment in various business fields or sectors.

Because unemployment is a serious problem in inclusive economic growth, the government must solve this problem by making government policies that support investment and growth in sectors that have the potential to create jobs, as well as holding training and skills development programs to improve the quality of human resources. as workers. Not only that, the government provides migration permits for work migration, both domestic and foreign migration.

The variables in this research are research conducted by Umi Kalsum indicating that unemployment has an influence significant to economic growth. Therefore, we can conclude that unemployment causes a decrease in annual economic growth. (Kalsum et al.)

The Effect of Inflation on Inclusive Economic Growth

Inflation has an insignificant positive influence on the economic growth variable. Inflation in Indonesia in 1998 was the highest inflation rate ever, but after 2008 the inflation rate in Indonesia can be said to be stable at below 10%. Maybe this can be caused by demand-pull inflation. This is because the government regulates inflation through established fiscal and monetary policies. The policy that the government has implemented is to regulate interest rates so that people can create more productive consumption. Apart from that, strengthening food production and distribution can also be an effort to reduce inflation.

This is by research conducted by Prima Aulia Daniel (2018) Inflation hurts the economic growth variable, although it is not significant. This research is supported by Salim (2021) who states that Indonesia's economic growth is significantly but negatively influenced by the inflation rate. Which means the result of growing economic problems that cannot be overcome. One example is the increase in the inflation rate due to the coronavirus pandemic which has caused an increase in the prices of various basic commodities, including the price of vehicle fuel. Increasing inflation will increasingly affect Indonesia's economic growth.

CONCLUSION

The research results show that inflation, population, unemployment and per capita income simultaneously influence economic growth. An inclusive economy can be achieved largely through the population sector. The population sector can control population growth, reduce poverty, and improve the quality of human resources through efforts such as family planning, increasing access to reproductive health services, and empowering women. This is in line with sustainable development goals, such as the Sustainable Development Goals (SDGs), which emphasize the importance of inclusive and sustainable economic growth. Therefore, it is hoped that inclusive economic growth, poverty alleviation and increasing the welfare of society as a whole can be achieved through an approach that strengthens the population sector. However, an inclusive economy still faces many problems. As a result, the government needs to do something.

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