

THE EFFECT OF INVESTMENT ON ECONOMIC GROWTH AND HUMAN DEVELOPMENT INDEX AND COMMUNITY WELFARE (CASE STUDY IN BEKASI REGENCY)

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Abstract: Inequality in economic growth WAS widening, when the beginning of March 2020 in Indonesia and various other countries experienced the impact and experienced widespread transmission of the COVID-19 pandemic. The purpose of this study was to analyze the effect of investment on economic growth in Bekasi Regency, the effect of investment on the human development index, the effect of economic growth on the human development index, the effect of economic growth on people's welfare and the influence of the human development index on welfare in Bekasi Regency. This research method used quantitative methods. If we look at this type of research, it included explanatory research, namely research that explained the causal relationship between variables in hypothesis testing. The data used was secondary data obtained from BPS from 2015 to 2019 (for 5 years), data in the form of time series in Bekasi Regency, West Java. The results showed that investment (X1) had a significant effect on economic growth (Y1). Likewise for the human growth index (HDI), investment had a significant effect on the HDI (Y2). Meanwhile, the variable economic growth had no significant effect on HDI, while economic growth (Y1) had a significant effect on welfare (Y3). Economic growth (Y1) had a significant effect on welfare (Y3)

Keywords: *investment, economic growth, HDI, Community Welfare*

1. Introduction [Times New Roman 12 bold]

Indonesia is a country that will become a middle-class country in terms of the per capita income of its population. Development continues to be carried out by increasing economic activities throughout Indonesia. In accordance with the RPJM (medium term development plan) in 2014, the State of Indonesia carried out economic development for the welfare of the community. The flow of domestic and foreign investment will result in investment which in the end will support economic growth and increase the human development index. When viewed from BPS data until 2018, the islands of Java and Sumatra are still the main choices for investment. Realization reached 71% . For the welfare of the people, it cannot be separated from the process of economic development

Economies between highly concentrated regions are more likely to develop rapidly than those in low concentrated economies, which tend to have lower levels of development and

economic growth. Income inequality is widening, when the beginning of March 2020 in Indonesia and various other countries experienced the impact and experienced widespread transmission of the COVID-19 pandemic. These incidents have reduced the income of the lower class community, due to the lock down and PPKM (Restrictions on the Implementation of Community Activities) policies. 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. The introduction includes the background to the issue or problem as well as the urgency and rationalization of activities (research or service).

Furthermore, 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, including the inequality of economic development in all regions, economic disparities, and problems with the quality of the human development index. The development carried out and sustainable in various sectors so far has not been able to overcome the welfare of the community. 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 inequality in income distribution has not been handled properly. On the other hand, the increasing number of developments has resulted in an increase in the series of income inequality in this country. The high concentration of sectors of economic activity in certain areas is part of the factors that cause development inequality between regions (Putri, D. T., Azwardi, A., Taufiq Marwa, & Andaiyani, S. (2018).

If we look at the human development index (HDI) in Indonesia, it is still low. Indonesia's HDI value is still much lower than ASEAN countries. Indonesia is still under Singapore, Malaysia and Brunei Darussalam. The average HDI value of ASEAN countries is 72.8 which is in the medium category. Meanwhile, Malaysia, Brunei and Singapore have reached the high category. If we look at one of the cities/districts closest to Jakarta is Bekasi district.

Bekasi Regency's HDI score during the 2016-2020 period was stable at the 8th position out of 27 regencies/cities in West Java Province. However, the HDI score of Bekasi Regency always increases every year, starting from a score of 71.83 in 2016, to a score of 74.07 in 2020. The HDI score and its relative position among regencies/cities in West Java were found to be obtained in conditions of Upper GRDP growth. Basic Constant Prices by Business Field which decreased compared to 2019. The growth rate of ADHK GRDP by Business Field in Bekasi Regency in 2016 - 2020 was 4.84 in a row; 5.68 ; 6.02; 3.94 and -3.30

Furthermore, if we look at BPS data, the economic growth rate in Bekasi district is as follows

Table 1. Bekasi Regency Economic Growth Rate

No	Bekasi Regency	2018	2019	2020
1	Bekasi Regency	6.02	3.94	-3.30

Data Source : BPS (2020)

If you look at the data above, it appears that economic growth has decreased. In 2019 the Bekasi district economy decreased by 2.08, while in 2020 it experienced a very drastic decline to minus 3.30. The decline is due to the corona pandemic that is still happening in various regions in Indonesia. This has led to a slowdown in the regional and national economy.



Figure 1. Number of poor people in Bekasi Regency in 2012-2019

Poverty Line, number, and percentage of poor people in Bekasi Regency in 2013-2020
 Poverty in Bekasi district seems to have increased from 2013, and fell slightly in 2014, then in 2015 it rose to 169.2, and in 2016, 2017, 2018 and 2019 it fell. However, according to data from several economic institutions in 2020, the poverty rate rose again.

Table 2. The poverty rate

Tahun Year	Garis Kemiskinan (rupiah/kapita/bulan) Poverty Line (rupiah/capita/month)	Jumlah Penduduk Miskin (ribu) Number of Poor People (thousand)	Persentase Penduduk Miskin Percentage of Poor People
(1)	(2)	(3)	(4)
2013	361 510	157,7	5,2
2014	374 255	156,6	4,97
2015	394 513	169,2	5,27
2016	416 058	164,4	4,92
2017	434 112	164,0	4,73
2018	463 507	157,2	4,37
2019	481 732	149,4	4,01
2020	518 667	186,3	4,82

Catatan/Note: ...
 Sumber/Source: BPS, Survei Sosial Ekonomi Nasional Maret/BPS-Statistics Indonesia, March National Socioeconomic Survey

It appears that the poverty rate will rise again in 2020 as many as 186,300 people. In accordance with the description above and the title of the study, the problems in this study can be formulated as follows:

- a) Does investment affect economic growth in Bekasi Regency?
- b) Does investment affect the human development index in Bekasi Regency?
- c) Does economic growth affect the human development index in Bekasi district?
- d) Does economic growth affect the welfare of the people in Bekasi Regency?
- e) Does the human development index affect welfare in Bekasi district?

2) Theoretical Review

a. Investment

In economic theory, investment is explained as expenditures to buy capital goods and production equipment in order to replace and especially add capital goods in the economy that will be used in producing goods and services in the future. According to Hartono (2017, p. 5), investment is a delay in current consumption so that it is included in productive assets for a certain period of time. The parties who make investments are called investors. Investors can be grouped into two, namely individual investors (retail investors) and institutional investors (institutional investors). Individual investors are individuals who carry out investment activities, while institutional investors are insurance companies, depository institutions, pension fund institutions, and investment companies. Investors also learn how to manage investor's wealth) which is monetary in nature. Statistically, investment or purchases of capital goods and production equipment are divided into 4 components, namely: private company investments, purchases to build houses, changes in company inventory and government-run investments.

Investment is a commitment to a number of funds or other resources that are carried out at this time, in order to obtain profits in the future. An investor buys shares in order to profit from an increase in stock prices or a number of dividends in the future in return for the time and risk associated with the investment.

Company investment or investment is not large from household consumption expenditures. However, investment or investment has an important role compared to household consumption.

The investment decision considers two things, namely portfolio and profitability (profit). Portfolio can be interpreted as buying shares with price momentum at the same time ignoring the principle of supply and demand which is already known in financial behavior as hard behavior (simultaneous behavior) (Aminnuzzahra, 2014, p. 74). In deciding to invest, investors are influenced by behavior. It is said to be behavior due to the psychological factors involved in it (Setiawan, Wahyudi, and Mawardi, 2016, p. 2).

Based on the types, investments are grouped into two types, namely: First, government investment, is an investment carried out by the central government and local governments. In general, investments carried out by the government are not intended for profit; Both private investments are investments carried out by the national private sector, namely Domestic Investment (PMDN) or investments carried out by foreign private companies or called Foreign Investments (PMA). Investments made by the private sector are aimed at earning profit and earning income and are encouraged and boosted by additional income. If income increases, consumption will also follow and the effective demand will also increase.

Investments that arise due to increased demand originating from additional income are called induced investment.

There are two types of private investment funds, namely: PMA (Foreign Investment), the type of capital investment is obtained from abroad, while PMDN (Domestic Investment) is a type of investment whose capital is obtained from within the country. Foreign Investment (PMA) is one of the efforts to increase the amount of capital for economic development originating from abroad.

b. Economic growth

Experts argue that an increase in the economy is considered an increase in the output of goods or services at a certain time. An increase in the economy can be assumed as an increase in the ability to produce goods or services at the national level (Hasyim, A, I 2017, p. 232).

In the era of globalization, cross-border trade in goods and services as well as capital flows play an important role in determining the path of a country's economic growth. With economic growth can lead to a reduction in poverty levels by opening up many jobs and creating a skilled workforce. Economic growth can be balanced with social development programs. The purpose of calculating economic growth is calculated in a year. Annual economic growth can be measured using the following formula:

$$g = ((GDP_t - GDP_k) / (GDP_k)) \times 100\%$$

Information:

g = level of economic growth

GDP_t = real GDP now

GDP_k = real GDP last year

Economic growth is an activity in the economy that results in increased product and service costs made in society and an increase in people's welfare. The problem of economic growth is part of the macroeconomic problems in the long term. From one period to another the ability of a country to produce goods and services continues to increase. This increased ability is due to the existence of production factors which are certain to always increase in quantity and quality of their products. On the other hand, the workforce has increased due to the increase in population, and work experience as well as being educated can have expertise.

Economic growth is a series of activities to increase the ability to produce goods in a country, the ability to prepare goods and services for the wider community, Kuznet (in Jhingan, 2013) High and sustainable economic growth is the main condition or a necessity for sustainable economic development and increasing prosperity . If the volume of population increases every year, the daily consumption needs will automatically increase every year, so an increase in income is needed every year. Viewed from the demand side (consumption), and the supply side, population growth also requires growth in employment opportunities (source of income). Economic growth without being accompanied by additional employment opportunities will result in inequality in the distribution of the additional income (*ceteris paribus*), which in turn will create a condition of economic growth with an increase in poverty (Tambunan, 2003, p. 40).

c. Human Development Index

According to the Central Statistics Agency for the 2020 period, the Human Development Index (IPM) suggests how the population can access development outcomes for income, health, education, and so on. The Human Development Index was introduced by the United

Nations Development Program (UNDP) in 1990 and published in the annual Human Development Report (HDR).

The Human Development Index (HDI) is formed by 3 (three) basic dimensions:

- a. Long life and healthy life.
- b. Knowledge
- c. Decent standard of living.

According to the Central Bureau of Statistics for the 2020 period, the benefits of the Human Development Index (HDI) are as follows:

- i. The human development index is an important indicator in measuring success in efforts to build the quality of human life (community/population).
- ii. The human development index can determine the ranking or level of development of a region/country.
- iii. For Indonesia, the human development index is strategic data because apart from being a measure of government performance, the human development index is also used as one of the allocations for determining the General Allocation Fund (DAU).

The Human Development Index (HDI) is commonly used to share whether a country is a developed country, a developing country or an underdeveloped country and also to measure economic policy on the quality of life. The formula for calculating the Human Development Index (HDI) according to the Central Statistics Agency (BPS) in 2020 is that the Human Development Index (IPM) has 3 dimensions that are used as a basis for calculation, namely a long and healthy life as measured by life expectancy at birth. Knowledge is calculated from school expectations and the average length of schooling. And standardization of decent living which is calculated from GDP/PDRB (balance of shopping ability) per capita.

The formula used in calculating the Human Development Index (HDI) is as follows:

$$HDI = 1/3 (\text{Index } X1 + \text{Index } X2 + \text{Index } X3)$$

Information :

X1 = life expectancy index

X2 = education level

X3 = decent standard of living using purchasing power indicator

d. Public Welfare

The countries in the world have agreed to calculate the economic welfare of a country, using the parameter value of the gross national product per capita. The higher the gross national product per capita, it can be said that the more prosperous the country is, and vice versa, if the per capita income is low, the poorer the population in that country will be. An increase in the economy is a condition for an increase in the welfare of a country. Increased economic development must be balanced with improving the quality of life lived by the people of a country.

Based on the description of the theoretical study above, the conceptual framework of the research can be presented as follows,

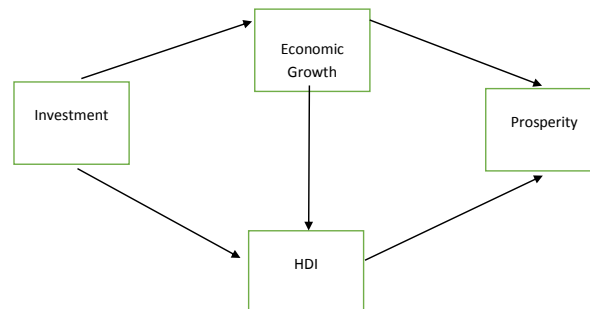


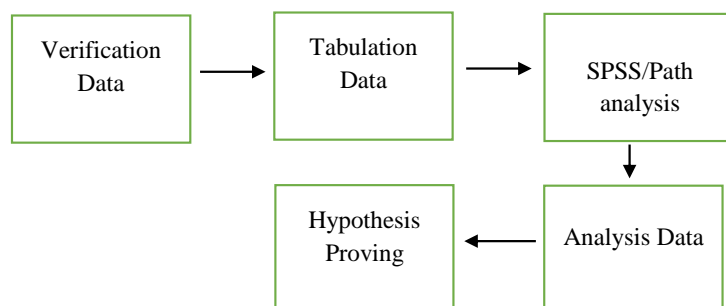
Figure 2. Conceptual Frame

2. Research Method

This research method uses quantitative methods. If you look at this type of research, it includes explanatory research, namely research that explains the causal relationship between variables in hypothesis testing. The data used is secondary data obtained from BPS from 2015 to 2019 (for 5 years), data in the form of time series in Bekasi Regency, West Java. The research location is in the Bekasi district, West Java. The existing variables are exogenous and endogenous variables. The variables in this study are:

- Investment Variable (X1). This variable is an exogenous variable, which acts as an independent variable. This variable is not influenced by other variables.
- Economic growth (Y1), this variable acts as an intermediate variable (Intervening variable)
- HDI (Y2) this variable also acts as an intermediate variable (Intervening variable)
- Welfare (Y3), acts as an endogenous variable, this variable as the dependent variable.

Data analysis steps as follows



Based on the path coefficients, the following hypotheses can be proposed:

- Investment has an effect on economic growth in Bekasi Regency (Hypothesis 1)
- Investment has an effect on the human development index in Bekasi Regency (Hypothesis 2)
- Economic growth affects HDI in Bekasi district (Hypothesis 3)
- Economic growth affects people's welfare in Bekasi Regency (Hypothesis 4)
- Human development index affects welfare in Bekasi district (Hypothesis 5)

Before processing data, the research will test the Normality data and Realibility Test.

3. Results and Discussion

3.1. Results

The steps of data analysis were carried out, taking into account the secondary data contained in the data from the Central Statistics Agency for Bekasi Regency. The results of the path analysis include the results of the variables that have been discussed in the theoretical study. The Normality test and Multicollinearity test will show at the following table.

Table 3. Normality table

Variable	Cronbach alpha	Result
X1	0.732	Reliabel
X2	0.672	Reliabel
Y1	0.921	Reliabel
Y2	0.821	Reliabel

Data Source : SPSS 23

The variable X1, X2,Y1 and Y2 had score 0.732 cronbach alpha, that mean the data has normal.

Table 4. Normality Table

Variable	Tolerance	VIP	Result
X1	0.432	2.30	No multicol
X2	0.432	2.30	No multicol
Y1	0.432	2.30	No multicol
Y2	0.432	2.30	No multicol

Data Source : SPSS 23

The following are the results of the path analysis coefficients.

Variable	Coefficient	t	Sig.	test result
X1 against Y1	0.03	0.24	0.004	Significant
X1 against Y2	0.43	8.90	0.002	Significant
Y1 against Y2	0.01	0.03	0,785	No significant
Y1 against Y3	0.02	0.79	0.010	Significant
Y2 against Y3	0.06	0.87	0.005	Significant

Data Source : SPSS 23

Information

Investment Variable (X1).

Economic growth (Y1)

HDI (Y2)

Welfare (Y3)

Based on the results of the path analysis test above, it can be explained that investment (X1) has a significant effect on economic growth (Y1). Likewise for the human growth index (HDI), investment has a significant effect on the HDI (Y2). Meanwhile, the variable economic growth has no significant effect on HDI, while economic growth (Y1) has a significant effect on welfare (Y3). Economic growth (Y1) has a significant effect on welfare (Y3) .

3.2. Discussion

The local government, especially the Bekasi Regency government, continues to increase investment from year to year. The effect of investment on economic growth in Bekasi district

is the impact of the Bekasi district government's commitment to improve people's welfare. In 2021, the Bekasi district government received an award as the district that can achieve the highest investment realization in 2021, amounting to Rp. 43.27 trillion (<https://www.bekasikab.go.id/pemkab-bekasi>). This award is inseparable from the district government's strategy to open production centers of various alternative products and maintain a healthy business climate from year to year. Foreign and local investment continues to be opened, so that job opportunities for young people can be wide open.

An increase in investment will affect the human development index (HDI), the value of Sig. of 0.002 . This is in accordance with research from Safitri, N. A., Mire, M. S., & Amalia, S. (2019). Safitri et al, stated that an increase in investment can lead to job creation, so that it can indirectly increase the overall HDI. Bekasi Regency is an area that has a conducive business climate. Investors are still confident to allocate their funds in Bekasi Regency. Realization of investments in Bekasi district reached 36.23%. According to the results of Hidayat's research, F. (2011), states that investment has a positive effect on the growth of Gross Regional Domestic Product (GDP). This research indicates that investment has a good effect on economic growth.

In the path analysis table, it is found that economic growth has no significant effect on HDI. This is in line with the results of research by Umiyati, E., Amril, A., & Zulfanetti, Z. (2017) which states that economic growth has no significant effect on HDI in Jambi province. If you look at the HDI parameters, it has 3 indicators, namely health, education, and standard of living (purchasing power) or income. An increase in a person's education is often associated with an increase in income or wages earned.

Economic growth on welfare is in line with economic growth, it is expected that financial transactions will increase and income will increase. The importance of financial intermediaries in the economy can hardly be overstated (Ampornpisit, M., 2011). The increase in income will increase the community's Eli power. People have funds that can be used for consumption. The use of the funds obtained will indicate an increase in the welfare of the community. Syawie, M. (2011) states that the State of Indonesia carries out social welfare that is focused on the people, by building the welfare of its people.

HDI has an important role for the development of human resources in the company and is one of the capital in doing business. HDI can contribute significantly to welfare if the HDI has a major role in driving the wheels of the local and global economy. HDI has a significance for welfare/happiness index, where indicators that represent HDI are income per capita and dimensions of life satisfaction (Elvirawati, E., Erni, F. H., & Evi, S. T., 2020).

4. Conclusion

Investment (X1) has a significant effect on economic growth (Y1). Likewise for the human growth index (HDI), investment has a significant effect on the HDI (Y2). Meanwhile, the variable economic growth has no significant effect on HDI, while economic growth (Y1) has a significant effect on welfare (Y3). Economic growth (Y1) has a significant effect on welfare (Y3) .

Economic policies in the regions should always adjust to the policies of the central government. The ability to absorb investment in Bekasi district needs to be maintained, so that investors can trust and believe that the policies issued by the regional government and the central government do not overlap, and the policies issued are easy and not complicated.

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