

INFLATION ON ECONOMIC GROWTH IN GORONTALO

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Abstract: *One measure of effective development is economic growth. Economic growth is the process by which the real gross national product or real national income rises. This study is a form of quantitative study. The goal of this research is to investigate how inflation affects economic growth. According to the findings of this study, the inflation variable has a significant value of 0.280, which is larger than 0.05. It is possible to conclude that the inflation variable has no effect on economic growth. The t-count value is 1.314, and the t-table value is 3.18245. Consequently, the t-count is less than the t-table, indicating that the inflation variable has no meaningful effect on economic growth. The preceding reasoning demonstrates that inflation reduces economic growth year after year.*

Keywords: *Inflation, Economic Growth*

1. Introduction

Economic development is defined as a sequence of attempts inside an economy to improve its economic activities such that more infrastructure is available, more enterprises grow, education levels rise, and technology advances. As a result of this development, it is believed that job opportunities would expand, income levels will rise, and wealth will be more equitably distributed.

One measure of effective development is economic growth. Economic growth is the process by which the real gross national product or real national income rises. As a result, the economy is said to grow or develop when actual output increases. According to another definition, economic growth occurs when per capita output increases. Economic growth is defined as a rise in living standards as measured by real production per person. Economic growth is frequently associated with an increase in an economy's productive capacity, which manifests as a rise in national revenue.

Table.1 Economic Growth in 2016-2021

NO	Tahun	P.Ekonomi
1	2016	6.52
2	2017	6.73
3	2018	6.49
4	2019	6.40
5	2020	-0.02

Source: Central Bureau of Statistics (BPS) Gorontalo

The Central Bureau of Statistics sees that economic growth in 2020 will experience a drastic decline of -0.02

At this time economic growth in Indonesia has decreased due to the spread of the

Covid-19 virus. Covid-19 has had a huge effect on economic development because many companies have experienced a decline in income and many companies have even gone out of business. Likewise in the Gorontalo area, many companies in Gorontalo have experienced decreased income, reduced employee salaries and even termination of employment rights. Based on data obtained from BPS, it shows that in the last 3 years, Gorontalo has experienced a decline in inflation.

Table 2. Inflation in 2016-2020

NO	Tahun	Inflasi
1	2016	1.30
2	2017	4.34
3	2018	2.15
4	2019	2.87
5	2020	0.81

Source: Central Bureau of Statistics (BPS) Gorontalo

Based on the information obtained from the table, it shows that the inflation rate in Gorontalo is not yet stable. This can be seen because of the fluctuations in the inflation rate in Gorontalo. In 2020, inflation fell drastically by 0.18 compared to 2019.

For this inflation instability will affect Gorontalo's economic growth. To find out more about economic growth, it is necessary to test inflation and economic growth. Based on the problems above, the researcher is interested in conducting research with the title "The Effect of Inflation on Economic Growth in Gorontalo"

2. Literature Review

2.1 Economic growth

Economic growth is an effort to increase production capacity to achieve additional output, which is measured using the Gross Domestic Product (GDP) and Gross Regional Domestic Product (GDP) in a region (Ma'aruf, 2008).

In general, economic growth theories can be divided into two categories: classical economic growth theory and modern economic growth theory. The analysis in classical economic growth theory is founded on the faith and effectiveness of free market systems. This hypothesis was developed by classical economists such as Adam Smith and David Ricardo.

There are several factors that influence economic growth in general, including: 1) natural resources, 2) quantity and quality of education of the population, 3) science and technology, 4) social system, and the 5th is the market. To assess the achievement of economic growth, real national income must first be calculated, namely GNP or GDP, which is calculated according to the prices prevailing in the base year. The value obtained is called GNP or GDP at a fixed price, namely the price that applies in the base year. The rate of economic growth is calculated from the increase in GNP or real GDP that applies from year to year (Adisasmita, 2015).

Corporate Social Responsibility (CSR) refers to the company's commitment to improve the welfare of society through the management of moral resources and commercial behavior. (Handayani & Nanda Hidayati, 2022). Corporate social responsibility is a concept or business practice according to its ability as a form of responsibility towards the social environment or the environment in which the business is located. (Thaliya, 2022).

2.2 Inflation

In general, inflation can be defined as an increase in the price level of products and services over a set period of time. Another definition of inflation is the widespread and continual rise in prices over a lengthy period of time. An increase in the price of just one or two items is

not considered inflation unless it extends to (or results in) an increase in the majority of the pricing of other items.

According to Sukirno (2006) demand-pull inflation, namely this inflation usually occurs when the economy is developing rapidly. High employment opportunities create high levels of income and in turn lead to spending that exceeds the economy's ability to produce goods and services. Meanwhile, cost-push inflation, namely inflation that applies when the economy is developing rapidly and the unemployment rate is very low. If companies are still facing increased demand, they will try to increase production by providing higher salaries and wages to their workers. This move increased production costs, which in turn led to an increase in the price of various goods.

According to Budiono (2008) inflation is a process of increasing the general prices of goods continuously. Meanwhile, Sukirno (2008) defines inflation as a process of increasing prevailing prices in an economy. Based on the definition of inflation above, it can be concluded that inflation is a tendency to increase prices of goods in general and occurs continuously

Inflation can be brought on by two factors: demand pull or production cost pressure. Demand-pull inflation results from a growth in total demand (aggregate demand) while output is at or near full employment. As a result of high overall demand, the price of production (output) has risen. Cost-push inflation is typically characterized by an increase in manufacturing costs (input) as well as a decline in output. As a result, the price of the created product (output) rises (Indriyani, 2016).

Previous research by Herman Ardiansyah (2017) entitled The Influence of Inflation on Economic Growth in Indonesia. This study uses a simple regression analysis method. This study concludes that inflation has a negative and significant effect on economic growth in Indonesia. If inflation rises, economic growth will decrease and vice versa if inflation falls, economic growth will increase.

Dina Ayucninda (2013) with the title Analysis of the Relationship Between Inflation and Economic Growth in Indonesia. This study uses cointegration and granger causality approaches. This study concludes that there is no causal relationship found that occurs from economic growth to inflation, but a causal relationship that is found to occur from inflation to economic growth. The test results show that the inflation variable has an influence on economic growth.

2.3 Relationship of Inflation and Economic Growth

In principle, not all inflation has a negative impact on the economy. Especially if there is mild inflation below ten percent. Mild inflation can actually encourage economic growth. This is because inflation is able to encourage entrepreneurs to further increase their production. Entrepreneurs are eager to expand their production, because with the price increases that occur, entrepreneurs get more profits. In addition, increased production has another positive impact, namely the availability of new jobs. Inflation will have a negative impact if its value exceeds ten percent. With inflation, an increase in the inflation rate indicates an economic growth, but in the long term, a high inflation rate will have a very bad impact. With the high rate of inflation, this causes domestic goods to be relatively more expensive when compared to the price of imported goods. If we see that in principle not all inflation has a negative impact on the economy. Especially if there is mild inflation, namely inflation below 10% with this mild inflation can encourage economic growth. This is what motivates entrepreneurs to further increase their production by opening new jobs.

3. Research Method

This study employs a quantitative strategy for data gathering, including time series data collected between 2016 and 2020, and research aids in SPSS. The quantitative technique is

known as the conventional method since it has been utilized for a long time and has thus become a research tradition. The documentation approach was used for data gathering in this study. The documentation technique seeks data on issues or variables in the form of notes, transcripts, books, newspapers, magazines, inscriptions, meeting minutes, calendars, agendas, and so on. If an error occurs in this manner, the data source remains unchanged, with the observed documentation, not live beings but inanimate items (Arikunto, 2014: 274). Documents can also be written, photographed, or otherwise monumental works. The chosen document data must be highly credible. Researchers can use huge samples with this technique. Furthermore, the presence of researchers has little effect on the data necessary as interview approaches (Abdullah & Saebani, 2014: 213). The data for this study came from a published report on the rate of inflation and the Gross Regional Domestic Product (GDP) in North Sumatra from 2018 to 2020. The data used in this investigation were collected over a period of months.

4. Result and Discussion

1. Simple Regression

Simple linear regression analysis is an analysis used to determine the influence between the independent variable and the dependent variable. Based on the results of data processing with the help of the SPSS 22 program, the following regression results were obtained

Correlations

		Inflation	economic growth
Inflation	Pearson Correlation	1	.605
	Sig. (2-tailed)		.280
	N	5	5
economic growth	Pearson Correlation	.605	1
	Sig. (2-tailed)	.280	
	N	5	5

From the results of the data above, the results of a simple regression analysis test were obtained at 0.267. while the value is greater than 0.05.

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	.515	2.699		.191	.861
Inflation	1.360	1.034	.605	1.314	.280

a. Dependent Variable: economic growth

The inflation variable has a significant value of 0.280 greater than 0.05, so it can be concluded that the inflation variable has no significant effect on economic growth. The t-count results show a value of 1.314 and a t-table of 3.18245. meaning that the t-count is smaller than the t-table which shows that the inflation variable has no significant effect on economic growth. The explanation above proves that inflation shows a decrease in economic growth every year.

2. Coefficient of Determination

The coefficient of determination is carried out to see how much influence the independent variables are able to provide an explanation for the dependent variable. The value of R^2 ranges from 0-1 ($0 \leq R^2 \leq 1$), if R^2 gets closer to number 1 it means that the variable variation model is said to be good.

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.617 ^a	.381	.175	1.26277	.381	1.847	1	3	.267	2.917

a. Predictors: (Constant), Economic growth

b. Dependent Variable: Inflation

From the results of data processing, it is obtained that the coefficient of determination is 0.381. This means that economic growth is simultaneously influenced by inflation of 38.10%. While 61.90% of the total economic growth is influenced by other variables not examined by researchers.

5. Conclusion

5.1 Conclusion

Based on the results of statistical testing of data, it can be concluded that the inflation variable has no significant effect on economic growth in Gorontalo. This means that when inflation increases, economic growth will decrease, conversely if inflation decreases, economic growth will increase

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