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## The Influence of Household Consumption and the Human Development Index on Economic Growth in West Java

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### Abstract

*The aim of this research is to determine the influence of household consumption and the human development index (HDI) on economic growth in West Java. HDI is a requirement for sustainable economic development. Without skilled human resources, Indonesia will be left behind by other countries. Likewise, household consumption plays an important role in Indonesia's development. Good consumption will have an impact on the economy. This method uses quantitative methods. Data taken from the Central Statistics Agency, data X1 (Household Consumption) and X2 (Human Development Index) and Y (Economic Growth) in West Java. Data in West Java covers the city of Bekasi, Bekasi Regency, Cimahi, Tasikmalaya and Cianjur for 10 years from 2008 to 2018. Data were processed using SPSS 21. Test assumptions by carrying out normality, collinearity, Heteroscedasticity, Anova and Rsquare table tests with tests. linear regression. The research results show that household consumption influences economic growth in West Java, HDI influences economic growth, and household consumption and HDI together influence economic growth. Central and regional governments can work together to expand the workforce and improve human resources.*

**Keywords:** Household Consumption, HDI, Economic Growth

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### INTRODUCTION

The factor of household consumption expenditure per capita is also on economic growth and its impact on inequality in income distribution (Sunarmintyastuti, et al, 2021). Household expenditure is classified into two, namely that there is almost no limit. The tug-of-war between these two expenditures can affect society's prosperity. The greater the expenditure, the level of prosperity increases. The level of prosperity of society can be represented by the prosperity of the household. On the other hand, the level of prosperity of the household can be obtained from the increase in income obtained from the income obtained. Regarding the income figures obtained, the approaches that are always taken in conducting surveys include: Susenas, by taking a household expenditure approach. Observing the 2018 Susenas results data from each region in 15 provinces in Indonesia, namely (1) Aceh Province, (2) North Sumatra Province, (3), (4), (5) DKI Jakarta, (6) West Java, (7) Central Java Province, (8) East Java Province, (9) South Kalimantan Province, (10) Bali Province, North Maluku, (13) NTT Province, (14) Papua Province, and (15) Southeast Sulawesi Province There is a difference from the previous year, the proportion of average monthly expenditure per capita for food consumption was the highest from 15 regions, the first highest was Lampung Province at IDR 3,470,592,- with a percentage of 51.86%. The second highest food consumption was Papua Province amounting to Rp. 623,987 with a percentage of 55.48%, while the third highest consumption was West Java province amounting to Rp. 600,967,- with a percentage of 49.34%.

Nowadays, the Human Development index (HDI) has turned into an orthodox symbol for a country's regional and national growth as well as a widely used multidimensional measure of well-being, many developing countries still consider GDP or wealth as an indicator of their economic and social growth and only focus on its development while the country advanced focus on their development and public welfare in terms of education and a better quality of life. In this study, the

correlation of HDI is explored in very high, high, medium and low developing countries and the research findings will be useful for policy makers to keep concentrating on factors with HDI in order to improve their country's human development index, for example life expectancy at birth, empowerment of women, average years of schooling for men, public health expenditure, public expenditure on education, total tax revenues, research and development expenditure, taxes on income, profits and capital gains, domestic credit provided by the financial sector, participation labor force level, employment to population ratio, private capital flows, net migration rate, international student mobility, and beneficiary unemployment are positively related to human development index in very high human development index countries (Sunarmintyastuti, et al, 2020). In addition, factors that are inversely related to HDI in humans are very high development index countries, average annual GDI growth, female and male adult mortality rates, foreign debt stock, total debt service, infant mortality due to outdoor pollution, employment in agriculture, youth unemployment, male and female domestic workers and child labor.

HDI serves as a reference tool for social and monetary progress. It is an instrument used to examine long-distance progress in a state's normal level of human improvement in three fundamental measurements: lengthened and healthy lifespan, access to information and an honorable way of life. Stressing that individuals and abilities should be the definitive criteria for surveying the nation's improvement, not just monetary development, the incorporation of markers of education and well-being is indicative of a successful governmental approach in providing access to vital legitimate merchandise, for example, human services, sanitation and education (UNDP, 2015).



Fig 1. Human Development Index Growth Trend 2010-2018

The Human Development Index (HDI) in 2018 was 71.39. This figure rose 0.58 points or grew by 0.82% compared to 2017. In 2017, the figure for HDI rose to 0.90% (BPS, 2019b). And in 2016 the figure for HDI rose 0.91%. tend. For Indonesia, it was recorded at 71.39. This figure has increased by 0.82 percent compared to 2017. For babies born in 2018 there is hope that up to 0.14 years of age will be born. Furthermore, for 2018 those aged 7 years have hope.

Economic growth in developing countries should be consumption-driven rather than investment-driven, especially since private consumption's share of GDP in these countries typically ranges between 70 and 75% (Radulescu et al., 2019). A country's economy becomes advanced if it is supported by sustainability. One indicator can be measured in economic growth. All government activities are carried out both directly and indirectly. An investment or investment climate is needed, because investment is the priority of initial capital in building an economy so that it grows stably. Furthermore, the relationship between investment and employment opportunities and poverty is a continuation of the relationship between investment and national income, namely the multiplier effect. (Yuyun, 2010). The relationship between national income growth and employment opportunities is explained through employment elasticity, while the relationship between national income growth and

poverty and the relationship between employment opportunities and poverty is explained through poverty elasticity.

People can go to school or study for 12.91 years (Diploma I), 0.06 years longer than those of the same age in 2017. For citizens over 25 years of age, the calculation is that in 2018, the Indonesian population meets the necessities of life. with an average per capita expenditure of IDR 11.06 million per year, an increase of IDR 395,000

Indonesia in 2019 was 71.92 or an increase of 0.53 points from 71.39 in 2018. This increase in HDI has a high status. Those born in 2019 have the hope of living. For children aged 7 years in 2019, they have the hope of being able to go to school, almost the same as the education period for. Residents over the age of 25 years on average have completed or almost completed it. 0.17 years longer than the previous year. In 2019, the Indonesian population will also be well off with an average per capita expenditure of around IDR 11.30 million per year and an increase of IDR 240 thousand from the previous year. One of the provinces with the highest HDI status is DKI Jakarta at 80.76 and the lowest is Papua with medium status at 60.84. HDI status describes the level of achievement

Furthermore, economic growth is the achievement of a higher level of welfare. The government is always required to actively collaborate in moving the wheels of the economy. The government must take part in all forms of financing activities. According to (Haller et al., 2018) economic stability is the main goal of administration

Each country, contributes to reducing uncertainty, creates an attractive business environment, attracts foreign direct investment and contributes to economic growth, which raises living standards, reduces income inequality, represents sustainable development for countries to ensure long-term economic and social sustainability and requires analytical framework from a scientific perspective and government policy to contribute to economic and social sustainability, and the results show that there is a direct relationship with the same intensity between remittances received/capita and unemployment rates, household final consumption and income inequality.

## METHOD

The research method uses quantitative methods. Data taken from the Central Statistics Agency, data X1 (Household Consumption) and X2 (Human Development Index) and Y (Economic Growth) in West Java. Data in West Java covers the city of Bekasi, Bekasi Regency, Cimahi, Tasikmalaya and Cianjur for 10 years from 2008 to 2018. Data were processed using SPSS 21. Test assumptions by carrying out normality, collinearity, Heteroscedasticity, Anova and Rsquare table tests with tests. linear regression.

## RESULT and DISCUSSION

The results of data processing using SPSS 20 produce data normality tables, multicollinearity tests, Heteroscedasticity, Anova and Rsquare tables with linear regression tests, along with the results of SPSS 20,

Table 1. Normality test with Kolmogrov-Smirnov values

		House hold consumption(X1)	IPM (X2)	Economic Growth(Y)
N		40	40	40
Normal Parameters <sup>a</sup>	Mean	38.8800	63.9600	30.3400
Most Extreme Differences	Std. Deviation	3.54845	6.17411	2.79690
	Absolute	.142	.147	.193
	Positive	.105	.147	.131
	Negative	-.142	-.095	-.193
Kolmogorov-Smirnov Z		1.421	1.474	1.933
Asymp. Sig. (2-tailed)		.393	.290	.214

The normality test carried out with SPSS 20 produced an asymp.sig value  $> 0.005$ . Based on these results it can be said that the data is normally distributed.

Based on the one-sample Kolmogorov-Smirnov test, it can be concluded that the standardized value of 0.05 of X1 is 0.393 and X2 is 0.290 and Y is 0.214. Thus it can be concluded that  $H_0$  is accepted or the distribution of household consumption (X1), HDI (X2) and economic growth (Y) is normally distributed, because the variable value resulting from the normality test above is greater than the standardized value of 0.05.

Table 2. Collinearity

Model	Collinearity Statistic		V
	Tolerance	IF	
1 (Constant)			
	X1	.514	1.354
	X2	.611	1.354

The results of the multicollinearity test in the table above show that the Tolerance result is  $0.514 > 0.1$  or the variant inflation factor (VIF) is  $1.354 < 10$ . So it can be stated that there is no multicollinearity between digital literacy and soft skills in this multiple regression analysis

Tabel 3. Coefficients

Model	B	Unstandardized Coefficients		Standardized Coefficients		Sig.
		Std. Error	Beta	t		
Constant	18	8.2	3.013		2.127	.007
X1	9	.11	0.74	919	-1.616	.031
X2	7	.01	0.47	042	.356	.001

From the table above. As a result, we look at the sig value. public consumption (X1)  $0.31 > 0.05$  and sig. HDI (X2)  $0.001 > 0.05$ , then the data is declared good and there are no symptoms of heteroscedasticity.

Tabel 4. Uji Anova

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	2930.200	2	911.135	76.200	.010 <sup>b</sup>
	Residual	520.609	53	11.919		
	Total	3450.809	55			

In table 5 above the Sig value is  $0.010 < 0.05$ . it can be concluded that the value shows the influence of variables X1 and Based on the data above, it can be concluded that X1 and X2 jointly influence Y.

Tabel 5 R Square

Model	R	R Square	Adjusted Square	Std.Error of the Estimate
1	.723	.517	.353	43.071

In table 5, it appears that the R value is 723 and R square is 0.517 and the Square value is 0.353 while the estimated value is 43.071. The rsquare value is 0.417, which means that 41.7% of the variables household consumption and HDI influence the interest in economic growth, while the rest is influenced by other factors.

The influence of household consumption on HDI was studied by Bakar, A. (2020), who stated that all household consumption has an effect on HDI. A better HDI will increase income which in turn will enable people to consume.

Dewi, N. L. S., & Sutrisna, I. K. (2014), also researched the influence of the components of the human development index on the economic growth of Bali Province, the results of which are that HDI can boost economic growth. Quality IPM will of course bring in multiple income and earnings. Conversely, if the HDI is low then consumption decreases.

Febrianti, A. B., & Djohan, S. (2022). The influence of the human development index and household consumption on economic growth and income inequality between districts/cities. This is in line with Prameswari, A., Muljaningsih, S., & Asmara, K. (2021) who analyzed the influence of poverty, human development index (HDI) and labor on economic growth in East Java. The result is that HDI is able to provide a positive contribution to economic growth. Likewise with Susanto, A. B. (2013). Which states that there is an influence of the Human Development Index (HDI) and Inflation on Economic Growth in Lamongan Regency.

## CONCLUSION

Based on the results and discussion above, it can be concluded that household consumption influences economic growth in West Java, HDI influences economic growth, and household consumption and HDI together influence economic growth. It is that regional governments continue to provide to increase HDI and distribute funds to poor communities so that public consumption remains stable.

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