

## The Impact of Inflation, Poverty Rates and Unemployment on Indonesia's Economic Growth, with the Human Development Index as an Intervening Variable

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**Abstract :** Indonesia's economic growth conditions according to data presented by BPS in the 2018-2024 period, namely the period before and after the Covid-19 event tended to stagnate at around 5 percent per year. There are several macroeconomic problems that cause low Indonesian economic growth, including inflation, poverty rates, and unemployment, as well as the Human Development Index (HDI). This type of research is a quantitative causality approach with time series data. The research period is 2018-2024 in Indonesia. The population in this study is Indonesian economic growth data reflected in GDP, inflation, poverty rates, unemployment, and HDI from 2018-2024 in the form of monthly data. So the population in this study is 84. The sampling technique used is saturated sampling, namely all 84 populations are used as samples. Data analysis techniques used are normality tests, multicollinearity, heteroscedasticity, autocorrelation, coefficient of determination tests, partial tests, simultaneous tests, and Sobel tests. The findings in this study are that inflation and unemployment do not affect the HDI, poverty affects the HDI, there is an influence of the HDI, inflation, and poverty on economic growth, and the HDI cannot mediate the relationship between inflation, unemployment and economic growth, and there is an influence of poverty on economic growth mediated by the HDI.

**Keywords:** *Economic Growth, Human Development Index, Inflation, Poverty, Unemployment*

### INTRODUCTION

Indonesia's economic growth has tended to stagnate at around 5 per cent, both before and after the COVID-19 pandemic, although a number of macroeconomic indicators show signs of improvement. Inflation exhibits a positive correlation with economic growth; in other words, when the rate of inflation rises, economic growth also rises. When inflation falls, economic growth also falls. This phenomenon can be explained by modern economic theory, which states that moderate inflation reflects rising demand and economic activity.

However, the relationship between poverty and unemployment and economic growth actually shows a trend that is inconsistent with theory. In theory, a decline in poverty and unemployment rates should be followed by an increase in economic growth due to rising purchasing power and labour productivity. However, in Indonesia, although poverty and unemployment continue to fall, the rate of economic growth has not increased and remains at around 5 per cent.

This situation suggests the presence of other factors that may influence the relationship between these variables, particularly factors relating to the quality of human resources. One indicator that may explain this is the Human Development Index (HDI), as an increase in the HDI reflects improvements in the quality of education, health and productivity within society, which can reinforce the impact of macroeconomic variables on economic growth.

According to the Human Development Index, the HDI has risen steadily from 2018 to 2024; however, the rate of economic growth has tended to stagnate at around 5 per cent. Although social indicators such as the HDI, poverty and unemployment have shown improvement, this indicates that the outcomes of economic development are not yet optimal. This situation highlights the challenges involved in achieving high-quality and sustainable economic growth.

The researchers identified several gaps in this study. Firstly, there is an empirical gap in that the findings of this study are inconsistent with those of previous research. This inconsistency in the research findings creates a gap that warrants further research, incorporating the Human Development Index as an intervening variable.

Secondly, a theoretical gap: previous theories have tended to focus on direct effects without considering variables that could amplify these effects by examining the indirect effects of variables on economic growth. This study therefore aims to address this issue by examining indirect effects (mediation) via the Human Development Index.

Thirdly, methodological issues relating to economic growth. There are indications that the methods previously used were deemed inadequate because they provided overly simplistic solutions. In this study, the researchers sought to develop a new approach using path analysis.

This study differs from previous research in that it not only analyses the direct effects of poverty, unemployment and inflation on economic growth, but also incorporates the Human Development Index (HDI) as an intervening variable. Furthermore, this study focuses on districts and cities in North Sumatra Province using the most recent data, which is expected to provide a more up-to-date and specific picture. Consequently, the novelty of this research lies in testing the role of the HDI in mediating the relationship between macroeconomic variables and regional economic growth.

## METHOD

Quantitative research is inferential in nature, in the sense that it draws conclusions based on the results of statistical hypothesis testing, using empirical data collected through measurement.<sup>1</sup> In this study, the researcher will analyse the data using the computer software EViews.

A population is a complete set of units of analysis under study.<sup>2</sup> The population in this study consists of macroeconomic data on inflation, poverty, unemployment, the Human Development Index and economic growth from 2018 to 2024, obtained from monthly data, resulting in a total of 84 time series data points.

The sampling method used in this study is simple random sampling. This is a sampling technique that gives every element (member) of the population an equal chance of being selected for the sample. Consequently, every member has an equal chance of being selected as a sample from the population.<sup>3</sup> The entire population of 84 in this study was used as the sample.

The normality test aims to determine whether the research data—both the dependent and independent variables—are normally distributed or not. If the data are normally distributed, parametric statistical tests may be used. However, if the data are not normally distributed, non-parametric statistical tests are used. The normality test used in EViews is the Jarque-Bera (JB) test, which determines whether the data is normally distributed based on the following criteria: If the JB probability value is  $> 0.05$ , the data is deemed to be normally distributed. If the JB probability value is  $< 0.05$ , the data is deemed not to be normally distributed.<sup>4</sup>

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<sup>1</sup> Muhammad Syahbudi, Elida Elfi Barus, and Dana Syahputra Barus, *Metodologi Penelitian Ekonomi Islam* (Medan: Merdeka Kreasi, 2023), hlm 24.

<sup>2</sup> Budi Gatama Siregar and Ali Hardana, *Metode Penelitian: Ekonomi Dan Bisnis* (Medan: CV. Merdeka Kreasi Group, 2021), hlm 167.

<sup>3</sup> Sugiarto, *Metodologi Penelitian Bisnis* (Yogyakarta: penerbit ANDI, 2022), hlm 123.

<sup>4</sup> Zulaikha Matondang and Hamni Fadilah Nasution, *Praktik Analisis Data Pengolahan Ekonometrika Dengan Eviews Dan SPSS* (Medan: CV. Merdeka Kreasi Group, 2021), hlm 23.

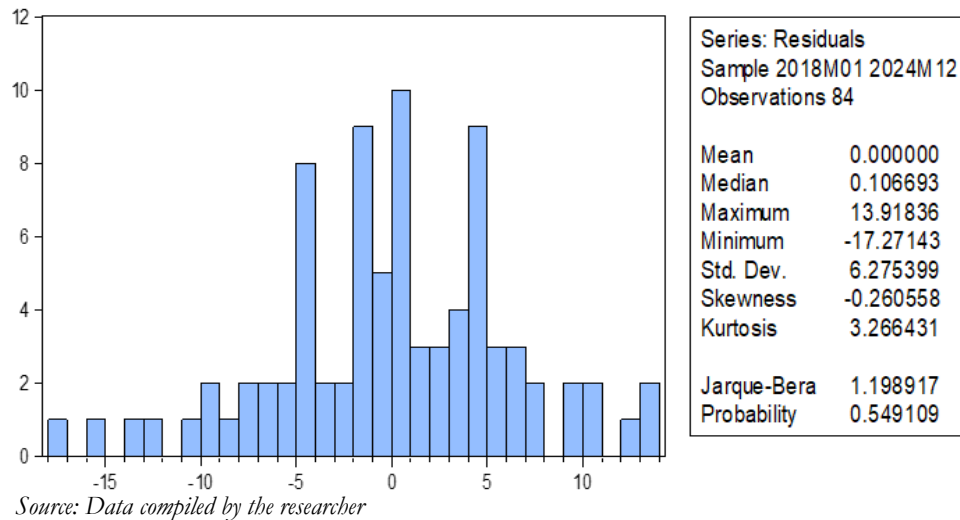
## RESULTS AND DISCUSSION

### Normality test results

The results of the normality test in this study are as follows:

Figure 1:

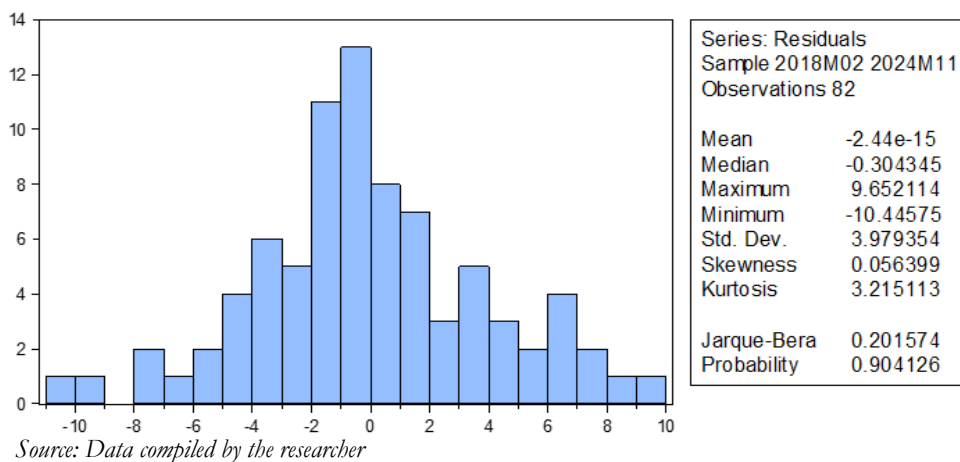
Results of the normality test for Sub-structural Equation 1



Based on the results of the normality test above, it can be seen that the Jarque-Bera probability value is 0.54. In this case,  $0.54 > 0.05$ . Therefore, the residuals in this study are normally distributed.

Figure 2:

Results of the normality test for Sub-structural Equation 2



From the graph above, it can be seen that the Jarque–Bera probability value is 0.9. It is therefore concluded that the data is normally distributed.

Multicollinearity is a problem in regression analysis. The purpose of the multicollinearity test is to identify two or more independent variables that are correlated with one another. Ways to

determine whether a model exhibits multicollinearity include using the VIF and the correlation test. If the VIF value is greater than 10, this indicates that the model has a multicollinearity problem.<sup>5</sup>

Tabel 1  
Results of the multicollinearity test for Sub-structural Equation 1

Variance Inflation Factors			
Date: 04/23/26 Time: 05:24			
Sample: 2018M01 2024M12			
Included observations: 84			
Variable	Coefficient Variance	Uncentered VIF	Centered VIF
INFLASI	0.433285	8.433069	1.148463
KEMISKINAN	5.875363	1083.497	2.388485
PNG	3.509540	223.3328	2.613737
C	279.7447	575.1358	NA

Source: Data compiled by the researcher

From the figure above, it can be seen that the centred VIF values for the three independent variables are all below 10. It can therefore be concluded that the residuals in this study are free from multicollinearity.

Tabel 2  
Results of the multicollinearity test for Sub-structural Equation 2

Variance Inflation Factors			
Date: 04/23/26 Time: 09:58			
Sample: 2018M01 2024M12			
Included observations: 82			
Variable	Coefficient Variance	Uncentered VIF	Centered VIF
NINFLASI	0.126689	9.046739	1.211647
NKEMISKINAN	6.253908	4207.425	8.761261
NPNG	2.339225	544.5156	6.317529
NIPM	0.243494	9815.159	3.443978
C	3876.038	19080.18	NA

Source: Data compiled by the researcher

From the figure above, it can be seen that the VIF values for all variables are below 10. It can therefore be concluded that the data is free from multicollinearity.

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<sup>5</sup> Hadi Ismanto and Silviana Pebruary, *Aplikasi SPSS Dan Eviews Dalam Analisis Data Penelitian* (Yogyakarta: Deepublish, 2021), hlm 67.

The test for heteroscedasticity aims to determine whether there is unequal variance in the residuals from one observation to another in a linear regression model. If the variance of the residuals remains constant from one observation to another, this is referred to as homoscedasticity; if it varies, it is referred to as heteroscedasticity.<sup>6</sup> The decision as to whether or not heteroscedasticity is present in a linear regression model is made by examining the probability value of the F-statistic (calculated F). If the calculated F-statistic probability is greater than the alpha level of 0.05 (5%), then H0 is accepted, meaning that there is no heteroscedasticity; whereas if the calculated F-statistic probability is less than the alpha level of 0.05 (5%), then H0 is rejected, meaning that there is heteroscedasticity.<sup>7</sup>

Tabel 3  
Results of the heteroscedasticity test for substructural equation 1

Heteroskedasticity Test: Breusch-Pagan-Godfrey			
F-statistic	1.553914	Prob. F(3,80)	0.2071
Obs*R-squared	4.625306	Prob. Chi-Square(3)	0.2014
Scaled explained SS	4.754165	Prob. Chi-Square(3)	0.1907

Source: Data compiled by the researcher

Based on the results of the heteroscedasticity test above, the F-probability value is found to be 0.2. The data is therefore deemed free from heteroscedasticity.

Tabel 4  
Results of the heteroscedasticity test for the second substructural equation

Heteroskedasticity Test: Breusch-Pagan-Godfrey			
F-statistic	0.757890	Prob. F(4,77)	0.5559
Obs*R-squared	3.106124	Prob. Chi-Square(4)	0.5402
Scaled explained SS	3.033462	Prob. Chi-Square(4)	0.5522

Source: Data compiled by the researcher

Based on the results of the heteroscedasticity test above, it can be seen that the F-probability value is  $0.55 > 0.05$ . The data is therefore deemed free from heteroscedasticity.

<sup>6</sup> Hamdi Agustin, *Metode Penelitian Ekonomi Dan Bisnis (Konsep Dan Contoh Penelitian* (Jawa Barat: CV. Mega Press Nusantara, 2023), hlm 141.

<sup>7</sup> Agus Widarjono, *Ekonometrika: Pengantar Dan Aplikasinya Disertai Panduan Eviews* (Yogyakarta: UPP STIM YKPN, 2018), hlm 52.

An autocorrelation test was conducted to determine whether there is a correlation in the regression model between the error term in period  $t$  and the error term in period  $t-1$  (the previous period). The test model for autocorrelation can be determined from the Durbin-Watson statistic. If the DW value lies between DU and  $4-DU$ , the null hypothesis is accepted, meaning there is no autocorrelation issue.<sup>8</sup>

Tabel 5  
Results of the autocorrelation test for sub-structural equation 1

Dependent Variable: LNNIPM	
Method: Least Squares	
Date: 04/16/26 Time: 12:07	
Sample: 2018M01 2024M12	
Included observations: 84	
Mean dependent var	314.6905
S.D. dependent var	6.580325
Akaike info criterion	6.594413
Schwarz criterion	6.710166
Hannan-Quinn criter.	6.640945
Durbin-Watson stat	2.176871

Source: Data compiled by the researcher

Based on the results of the above test, it can be seen that the DW value is 2.17. In this study, the DU value is 1.71. It is therefore concluded that there is no issue of autocorrelation in this study.

Tabel 6  
Autocorrelation test results for the second-order substructural equation

Dependent Variable: NLNNPDB	
Method: Least Squares	
Date: 04/20/26 Time: 10:16	
Sample (adjusted): 2018M02 2024M11	

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<sup>8</sup> Firdaus, *Metode Penelitian Kuantitatif Dilengkapi Analisis Regresi IBM SPSS Statistics Version 26.0* (Riau: DOTPLUS, 2021), hlm 34.

Included observations: 82 after adjustments	
Mean dependent var	7.258860
S.D. dependent var	4.769539
Akaike info criterion	5.709797
Schwarz criterion	5.856548
Hannan-Quinn criter.	5.768715
Durbin-Watson stat	2.133247

Source: Data compiled by the researcher

Based on the results of the above test, it can be seen that the DW value is 2.13, whilst the DU value is 1.74. It can therefore be concluded that there is no issue of autocorrelation in this study.

The t-test is one of the main tests commonly used in linear regression analysis. The purpose of the t-test is to determine the level of significance of the effect or influence exerted by an independent variable on a dependent variable.<sup>9</sup>

Tabel 7  
Results of the partial test of substructural equation 1

Dependent Variable: LNNIPM				
Method: Least Squares				
Date: 04/16/26 Time: 12:07				
Sample: 2018M01 2024M12				
Included observations: 84				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
INFLASI	0.286056	0.658244	0.434575	0.6650
KEMISKINAN	-6.280109	2.423915	-2.590895	0.0114
PNG	2.403240	1.873377	1.282839	0.2033
C	359.9934	16.72557	21.52354	0.0000

Source: Data compiled by the researcher

It is known that the probability value for the inflation variable is 0.6650. Since  $0.6650 > 0.05$ , it can be concluded that the inflation variable has no effect on the HDI variable. As for the poverty variable, its probability value is  $0.0114 < 0.05$ . It can be concluded that the poverty variable

<sup>9</sup> Joko Ade Nursiyono and Pray P.H Nadeak, *Setetes Ilmu Regresi Linier Untuk Penelitian* (Malang: Media Nusantara Creative, 2016), hlm 129.

has an effect on the HDI. Furthermore, for the unemployment variable, the probability value is  $0.2033 > 0.05$ . It can therefore be concluded that the unemployment variable does not have an effect on the HDI.

Tabel 8  
Results of the partial test on substructural equation 2

Dependent Variable: NLNNPDB				
Method: Least Squares				
Date: 04/20/26 Time: 10:16				
Sample (adjusted): 2018M02 2024M11				
Included observations: 82 after adjustments				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
NINFLASI	1.272970	0.355935	3.576417	0.0006
NKEMISKINAN	-6.864517	2.500782	-2.744949	0.0075
NPNG	2.267961	1.529453	1.482858	0.1422
NIPM	-1.689850	0.493451	-3.424553	0.0010
C	220.2982	62.25784	3.538481	0.0007

Source: Data compiled by the researcher

Based on the table above, it can be seen that the probability value for the inflation variable is  $0.0006 < 0.05$ . The poverty rate has an effect on economic growth, with a probability value of  $0.0075 < 0.05$  and a negative coefficient. Unemployment has no effect on economic growth, with a probability value of  $0.1422 > 0.05$ . There is an effect of the HDI on Indonesia's economic growth, with a negative coefficient.

Path analysis is an extension of multiple regression analysis that breaks down the extent of the influence of independent variables on the dependent variable indirectly. Path analysis is used to examine both direct and indirect effects between independent and dependent variables.<sup>10</sup> To determine indirect relationships between variables, a Sobel test was conducted using the formula :

$$t = \frac{ab}{Sab}$$

Thus, using this formula, the results of the Sobel test for each independent variable in the study are as follows :

<sup>10</sup> Agus Widarjono, *Ekonometrika: Pengantar Dan Aplikasinya Disertai Panduan Erievs*, hlm 283.

Tabel 9  
Results of the Sobel test on the inflation variable

	<b>c</b>	<b>sig</b>	<b>A</b>	<b>Sig.</b>	<b>Sa</b>	<b>B</b>	<b>Sig.</b>	<b>Sb</b>
	0,880	0,001	0,013	0,922	0,135	0,239	0,254	0,208
<b>ab</b>	0,003							
<b>b<sup>2</sup></b>	0,057							
<b>Sa<sup>2</sup></b>	0,018							
<b>a<sup>2</sup></b>	0,000							
<b>Sb<sup>2</sup></b>	0,043							
<b>S<sub>ab</sub></b>	0,043							
<b>T</b>	0,073							

Source: Data compiled by the researcher

Based on the table above, the calculated t-value is  $0.073 < 1.96$ . In this study, inflation does not affect economic growth as measured by the HDI.

Tabel 10  
Results of the Sobel test on the poverty variable

	<b>C</b>	<b>sig</b>	<b>a</b>	<b>Sig.</b>	<b>Sa</b>	<b>b</b>	<b>Sig.</b>	<b>Sb</b>
	-3,66	0,000	-1,88	0,000	0,277	-0,72	0,001	0,214
<b>ab</b>	1,360							
<b>b<sup>2</sup></b>	0,522							
<b>Sa<sup>2</sup></b>	0,077							
<b>a<sup>2</sup></b>	3,544							
<b>Sb<sup>2</sup></b>	0,046							
<b>S<sub>ab</sub></b>	0,454							
<b>T</b>	2,998							

Source: Data compiled by the researcher

Based on the table above, it can be seen that the t-value of 2.998 is greater than 1.96. It can therefore be concluded from this study that poverty influences economic growth via the HDI as a mediating variable.

Tabel 11  
Results of the Sobel test on the unemployment variable

	<b>C</b>	<b>sig</b>	<b>a</b>	<b>Sig.</b>	<b>Sa</b>	<b>b</b>	<b>Sig.</b>	<b>Sb</b>
	-2,71	0,000	-0,22	0,391	0,255	0,135	0,460	0,182
<b>ab</b>	-0,03							
<b>b<sup>2</sup></b>	0,018							
<b>Sa<sup>2</sup></b>	0,065							
<b>a<sup>2</sup></b>	0,048							
<b>Sb<sup>2</sup></b>	0,033							
<b>S<sub>ab</sub></b>	0,070							
<b>T</b>	-0,42							

Source: Data compiled by the researcher

Based on the table above, it can be seen that the t-value of -0.42 is less than 1.96. It can therefore be concluded from this study that unemployment does not affect economic growth via the HDI as a mediating variable.

**The Impact of Inflation on the Human Development Index**

It is known that the probability value for the inflation variable is 0.6650. Since 0.6650 > 0.05, it can be concluded that the inflation variable has no effect on the HDI variable. The positive coefficient indicates that inflation in Indonesia from 2018 to 2024 is moderate (below 10 per cent), suggesting that economic activity is growing in tandem with an increase in the HDI. However, this influence is not significant because the components of the HDI, particularly health and education, are long-term investments. Furthermore, the existence of social protection policies and government subsidies ensures that the public retains access to basic services, meaning that changes in the inflation rate do not have a tangible impact on the overall achievement of the HDI.

The findings of this study are consistent with the research by Emilia et al., which concluded that, in part, inflation has no effect on the Human Development Index (HDI) in East Nusa

Tenggara Province. This is because the public's purchasing power remains intact, and the study found that the Regional Minimum Wage (UMR) has a stronger influence.<sup>11</sup> However, this contrasts with the research by Novita Octavia, which found that inflation had a positive impact on the Human Development Index in Mandailing Natal regency between 2018 and 2023. This suggests that inflation is one of the key indicators of human development. The higher the inflation rate in Mandailing Natal, the lower the Human Development Index will be.<sup>12</sup>

### **The Impact of Poverty Levels on the Human Development Index**

For the poverty variable, the probability value is found to be  $0.0114 < 0.05$ . It can be concluded that the poverty variable has an effect on the HDI. This can be explained by the fact that poverty is directly linked to the community's limited ability to meet basic needs such as access to education, health services, and adequate consumption. The results of this study are consistent with the findings of Lita Apriska's research, which found a negative effect of poverty levels on the HDI. Based on this, it can be seen that high poverty levels will result in a low HDI.<sup>13</sup>

### **The Impact of Unemployment on the Human Development Index**

For the unemployment variable, the probability value is  $0.2033 > 0.05$ . It can therefore be concluded that the unemployment variable has no effect on the HDI. The government's role, through social safety net policies in the fields of education and health, breaks the chain of negative impacts caused by unemployment. Consequently, access to basic services is maintained even though people do not have formal employment. This can be explained by the fact that unemployment does not directly affect all dimensions that make up the HDI. The phenomenon of educated unemployment indicates that not all unemployment reflects low-quality human resources.

On the other hand, the HDI is a long-term indicator that does not change easily in the short term. Consequently, fluctuations in the unemployment rate do not directly affect the HDI. The results of this study are consistent with Helena's findings, which concluded that

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<sup>11</sup> Emilia Khristina Kiha, Sirilius Seran, and Gaudensia Seuk, "Pengaruh Inflasi, Produk Domestik Regional Bruto Dan Upah Minimum Regional Terhadap Indeks Pembangunan Manusia Propinsi Nusa Tenggara Timur," *INVEST: Jurnal Inovasi Bisnis Dan Akuntansi* 2, no. 1 (March 2021): hlm 53, <https://doi.org/10.55583/invest.v2i1.128>.

<sup>12</sup> Nichy Oktaviani et al., "Pengaruh Kemiskinan Dan Prevalensi Stunting Terhadap Indeks Pembangunan Manusia Di Sumatera Barat," *Jurnal Informatika Ekonomi Bisnis*, August 15, 2024, hlm 2079, <https://doi.org/10.37034/infv6i3.928>.

<sup>13</sup> Lita Apriska et al., "Pengaruh Pengeluaran Pemerintah Sektor Kesehatan, Pertumbuhan Ekonomi, Dan Kemiskinan Terhadap Indeks Pembangunan Manusia (Kabupaten/Kota Di Provinsi NTB)," *JURNAL SOSIAL EKONOMI DAN HUMANIORA* 10, no. 1 (March 2024): hlm 8, <https://doi.org/10.29303/jseh.v10i1.451>.

unemployment had no effect on the HDI in NTT between 2013 and 2023; this is because unemployment is concentrated in the informal sector, where wages are low and unstable.<sup>14</sup>

However, the findings of this study contradict those of Hutama Wijaya et al., who found that the unemployment rate has a negative impact on the Human Development Index.<sup>15</sup> The difference between the findings of this study and those of Hutama Wijaya's study is due to the different time periods covered. That study covered a longer time span, namely 1998–2023, encompassing various economic dynamics such as the 1997–1998 Asian financial crisis and the COVID-19 pandemic, thereby yielding greater data variation and a clearer relationship between unemployment and the HDI.

### **The Impact of Inflation on Economic Growth**

Inflation affects Indonesia's economic growth. The findings of this study indicate that a rise in inflation is actually followed by an increase in economic growth. Theoretically, this phenomenon can be explained by 'demand-pull inflation', whereby price rises occur as a result of an increase in aggregate demand within the economy. This rise in demand encourages producers to increase output, thereby ultimately boosting economic growth. Furthermore, moderate inflation can send a positive signal to businesses to increase investment and expand production due to expectations of higher profits. Thus, inflation within certain limits does not always have a negative impact; rather, it can serve as an indicator of rising economic activity.

Therefore, the results of this study indicate that inflation during the study period remained relatively stable and was able to drive economic growth. These findings are consistent with those of Amelia et al., who found that inflation has a positive impact on Indonesia's economic growth. Keeping inflation within reasonable limits can support sustainable economic growth in Indonesia.<sup>16</sup>

### **The Impact of Poverty Levels on Economic Growth**

Poverty levels are closely linked to economic growth. Generally speaking, poverty hampers productivity, consumption and the quality of human resources, which are key drivers of economic growth. These findings are consistent with those of Aswanto and Edward; in other words, high

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<sup>14</sup> Maria Helena Gani Doren Hera and Kiky Asmara, "Dampak Pertumbuhan Ekonomi, Kemiskinan, Pengangguran, Dan Belanja Daerah Terhadap Indeks Pembangunan Manusia Di Nusa Tenggara Timur Tahun 2013-2023," *OIKOS: Jurnal Kajian Pendidikan Ekonomi Dan Ilmu Ekonomi* 8, no. 2 (July 2024): hlm 34, <https://doi.org/10.23969/oikos.v8i2.14454>.

<sup>15</sup> Hutama Wijaya, Abdul Aziz Ahmad, and Ratna Setyawati Gunawan, "Kesejahteraan Indonesia: Analisis Faktor-Faktor Yang Mempengaruhi Indeks Pembangunan Manusia," *Arus Jurnal Sosial Dan Humaniora* 5, no. 2 (August 2025): hlm 1749, <https://doi.org/10.57250/ajsh.v5i2.1451>.

<sup>16</sup> Amelia Amelia et al., "Pengaruh Inflasi Dan Tingkat Suku Bunga Terhadap Pertumbuhan Ekonomi Di Indonesia," *RIGGS: Journal of Artificial Intelligence and Digital Business* 4, no. 2 (June 2025): hlm 2957, <https://doi.org/10.31004/riggs.v4i2.950>.

levels of poverty will reduce economic growth, due to the large number of people living in deprivation. Consequently, the issue of poverty is a priority for the government, which is seeking solutions.<sup>17</sup>

### **The impact of unemployment on economic growth**

Unemployment has no effect on economic growth, with a probability value of  $0.1422 > 0.05$ . The relationship between unemployment and economic growth is explained by Okun's law, which states that an increase in unemployment should lead to a decline in economic growth. However, in this study, this relationship was not found to be significant, indicating that unemployment was not a major factor influencing economic growth during the study period. The positive direction of the coefficient suggests that an increase in unemployment is followed by an increase in economic growth; however, this relationship is quite weak and not statistically robust. This situation may be due to the presence of other, more dominant factors driving economic growth, such as investment and consumption, as well as labour market characteristics that do not fully reflect economic productivity. Thus, the results of this study suggest that the relationship between unemployment and economic growth does not always align with theory and may vary depending on prevailing economic conditions.

### **The Impact of the Human Development Index on Economic Growth**

Terdapat pengaruh IPM terhadap Pertumbuhan ekonomi Indonesia dengan nilai koefisien negatif. Peningkatan IPM mencerminkan meningkatnya sumber daya manusia dalam aspek kesehatan, pendidikan, dan pendapatan. Kualitas sumber daya yang baik meningkatkan produktivitas kerja, peningkatan konsumsi, menarik investasi, yang semuanya itu berkontribusi terhadap peningkatan pertumbuhan ekonomi. Namun penelitian ini tidak sejalan dengan teori tersebut. Ketika IPM meningkat namun pertumbuhan ekonomi menurun atau stagnan itu disebabkan karena pengaruh IPM bersifat panjang. IPM yang meningkat menunjukkan kualitas sumber daya manusia membaik. Tapi tanpa dukungan struktur ekonomi dan lapangan kerja produktif dampaknya terhadap pertumbuhan ekonomi belum terlihat.

Selain itu, dalam periode penelitian yang mencakup masa covid-19, pertumbuhan ekonomi mengalami penurunan yang signifikan, sementara IPM relatif meningkat karena adanya program perlindungan sosial oleh pemerintah. Dengan demikian hasil penelitian ini mengindikasikan bahwa peningkatan IPM belum sepenuhnya mampu diterjemahkan menjadi peningkatan aktivitas

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<sup>17</sup> Aswanto and Edward Yurnal, "Analisis Tingkat Pengangguran Dan Kemiskinan Terhadap Pertumbuhan Ekonomi Indonesia," *ANALISIS* 15, no. 01 (March 2025): hlm 113, <https://doi.org/10.37478/als.v15i01.5327>.

ekonomi yang produktif dalam jangka pendek. Pada penelitian Laila Mukaromah dkk, menemukan bahwa IPM memiliki pengaruh yang positif terhadap pertumbuhan ekonomi. Hasil ini sama dengan temuan Avivah. Dimana dalam penelitian ini dijelaskan bahwa peningkatan IPM yang tercermin dalam pendidikan, kesehatan dan pendapatan akan meningkatkan output ekonomi.<sup>18</sup>

Perbedaan hasil penelitian ini disebabkan oleh perbedaan periode penelitian. Pada penelitian Laila Mukaromah dkk hanya menggunakan data tahun 2022 yang merupakan periode pemulihan ekonomi pasca pandemi, sehingga peningkatan kualitas sumber daya manusia melalui IPM dapat langsung mendorong pertumbuhan ekonomi. Sementara itu, penelitian ini menggunakan periode yang lebih panjang, yaitu mencakup masa pandemi, dimana pertumbuhan ekonomi mengalami tekanan yang signifikan. Dengan demikian, hubungan antara IPM dan pertumbuhan ekonomi dapat bersifat dinamis dan dipengaruhi oleh kondisi ekonomi serta periode waktu yang digunakan dalam penelitian.

### **The Impact of Inflation on Economic Growth via the Human Development Index**

Inflation does not affect economic growth via the Human Development Index (HDI). High inflation can reduce people's purchasing power, thereby potentially limiting access to education, healthcare and a decent standard of living—key components of the HDI. This decline in the quality of human development may ultimately lead to a fall in labour productivity, which in turn hinders economic growth. Thus, conceptually, there is an indirect relationship between inflation and economic growth via the HDI as an intervening variable. However, the results of this study indicate that inflation does not affect economic growth via the HDI. This suggests that changes in the inflation rate are unable to significantly influence the HDI, and consequently do not produce a subsequent effect on economic growth.

This situation can be explained by several factors. Firstly, the inflation rate during the study period tended to be mild and relatively stable, meaning it did not significantly reduce people's purchasing power. Secondly, the Human Development Index (HDI) is a long-term indicator that is not sensitive to short-term economic fluctuations, such as changes in inflation; consequently, its impact is not immediately reflected in an increase or decrease in the quality of human development. Thirdly, the government's role through stabilisation policies, such as subsidies and social assistance, helps to maintain purchasing power and public access to basic services, thereby rendering the

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<sup>18</sup> Avivah Isnaini, Sudati Nur Sarviah, and Emma Dwi Ratnasari, "Analisis Pengaruh Indeks Pembangunan Manusia, Jumlah Tenaga Kerja, Rasio Ketergantungan Dan Rasio Jenis Kelamin Terhadap Pertumbuhan Ekonomi Di Jawa Tengah Tahun 2015-2021," *TRANSEKONOMIKA: AKUNTANSI, BISNIS DAN KEUANGAN* 3, no. 3 (June 2023): hlm 45, <https://doi.org/10.55047/transekonomika.v3i3.432>.

impact of inflation on the HDI insignificant. Thus, it can be scientifically concluded that the HDI is unable to mediate the relationship between inflation and economic growth in this study. The impact of inflation on economic growth tends not to be via an increase or decrease in the quality of human development, but rather likely through other mechanisms not included in the research model.

### **The Impact of Poverty Levels on Economic Growth as Measured by the Human Development Index**

Poverty affects economic growth through the Human Development Index (HDI) as a mediating variable. High levels of poverty reflect limited public access to education, healthcare and a decent standard of living. These conditions result in low-quality human resources, as reflected in the HDI score. High poverty levels lead to limited access to education, healthcare and a decent standard of living, thereby reducing the HDI. Furthermore, the low quality of human resources will impact labour productivity and ultimately hinder economic growth. The results of this study indicate that poverty has a direct effect on the Human Development Index (HDI) and economic growth, as well as an indirect effect on economic growth via the HDI as an intervening variable.

These findings suggest that the mechanism linking poverty and economic growth is not only direct but also operates through improvements or declines in the quality of human development. Based on these findings, it can be concluded that the role of the HDI in this study is one of partial mediation, whereby poverty continues to have a significant direct influence on economic growth, but this is also reinforced through an indirect channel via the HDI. This confirms that poverty reduction efforts need to be accompanied by improvements in the quality of human development in order to have a more optimal impact on economic growth. These findings are consistent with the thinking of Ibn Khaldun, who emphasised the importance of poverty alleviation as one of the key aspects of economic development. He argued that widespread poverty can lead to social breakdown and exacerbate social inequality. Therefore, he supported policies that could reduce poverty and improve general welfare through the redistribution of wealth and the enhancement of economic opportunities for all sections of society.

### **The impact of unemployment on economic growth via the Human Development Index**

Unemployment does not affect economic growth via the HDI as a mediating variable. This indicates that the HDI is unable to mediate the relationship between unemployment and economic growth. Unemployment is often associated with low labour utilisation, which can ultimately reduce productivity and economic growth. However, in this study, unemployment was not found to significantly affect the HDI, meaning that an indirect pathway via an improvement or decline in

the quality of human development does not materialise. Educated unemployment suggests that not all unemployment reflects low-quality human resources, as individuals with high levels of education can still be classified as unemployed due to limited job opportunities. In line with the views of the Muslim economist Umar Chapra, unemployment should be addressed through education and vocational training tailored to market needs. Furthermore, many workers with low productivity, such as those in the informal sector or the underemployed, are still categorised as workers and are therefore not recorded as unemployed.

This situation means that unemployment rates do not fully reflect the quality of human development. Consequently, unemployment does not have a significant impact on the Human Development Index (HDI). As a result, the HDI cannot serve as a mediator in the relationship between unemployment and economic growth.

## **CONCLUSION**

Based on the results of data analysis from the study entitled “The Effect of Inflation, Poverty and Unemployment on Indonesia’s Economic Growth, with the Human Development Index as an Intervening Variable”, the following conclusions were drawn :

1. Inflation had no significant effect on Indonesia’s Human Development Index (HDI) between 2018 and 2024, as the probability value for inflation was  $0.66 > 0.05$ . This is because inflation remained at a mild and relatively stable level of less than 10 per cent..
2. There is an effect of the poverty rate on the HDI, with a p-value of  $0.0114 < 0.05$  and a negative coefficient. This can be explained by the fact that poverty is directly linked to the community’s limited ability to meet basic needs such as access to education, healthcare services and adequate consumption.
3. There is no significant effect of the unemployment variable on the HDI, with a probability value of  $0.2033 > 0.05$ . This can be explained by the fact that unemployment does not directly influence all the dimensions that make up the HDI. The phenomenon of educated unemployment indicates that not all unemployment reflects a low quality of human resources.
4. There is a significant effect of the HDI on Indonesia’s economic growth, with a probability value of  $0.00010 < 0.05$  and a negative correlation. When the HDI increases but economic growth declines or stagnates, this is because the effect of the HDI is long-term..
5. There is an effect of inflation on economic growth, with a probability value of  $0.0006 < 0.05$  and a positive coefficient. Moderate inflation can stimulate an increase in production and consumption; however, high inflation reduces purchasing power, which in turn hinders economic growth..

6. The poverty rate influences economic growth, with a probability value of  $0.0075 < 0.05$  and a negative coefficient. This implies that high levels of poverty will reduce economic growth, due to the large number of people living in poverty..
7. Unemployment has no effect on economic growth, with a probability value of  $0.1422 > 0.05$ . This can be explained by the presence of workers with low productivity, particularly in the informal sector, who are still classified as employed and are therefore not included in the unemployment figures..
8. Inflation does not affect economic growth via the HDI. This indicates that the HDI does not act as a mediating variable in the relationship between inflation and economic growth. This is because inflation is relatively moderate and therefore does not have a significant impact on people's purchasing power
9. Poverty has an effect on economic growth, mediated by the HDI, with a t-value of  $2.998 > 1.96$ . High levels of poverty result in limited access to education, healthcare and a decent standard of living, thereby reducing the HDI. Furthermore, the low quality of human resources will impact labour productivity and ultimately hinder economic growth.
10. There is no effect of unemployment on economic growth via the HDI, with a t-value of  $-0.42 < 1.96$ . Educated unemployment indicates that not all unemployment reflects low-quality human resources, as individuals with a high level of education may still be classified as unemployed due to limited job opportunities.

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