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Model Akar Penentu Pertumbuhan Ekonomi Berbasis Inflasi

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Aprih Santoso, Born in Semarang, spent his studies in SD, SMP and SMAA in Semarang, from 1970 to 1983. Continuing his education at the Faculty of Economics and Master of Management UNSOED Purwokerto. Currently active as a lecturer at the Faculty of Economics, University of Semarang (USM). In addition, he is also active in writing articles in national and international journals, as well as being active as a reviewer for award-winning and non-denominational journals, both in Research journals and Community Service journals (PkM).

Roots Determination Economic Growth Model of Inflation-Based

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Abstrak: Penelitian bertujuan meneliti pengaruh PAD, IPM dan inflasi terhadap petumbuhan ekonomi di kota Semararng dan juga menguji apakah PAD dan IPM memediasi pengaruh inflasi terhadap pertumbuhan ekonomi di kota Semararng. Data yang digunakan dalam penelitian ini adalah data sekunder. Variabel penelitian ini terdiri dari inflasi sebagai variabel bebas. petumbuhan ekonomi sebagai variabel dependen dan PAD, IPM sebagai variabel mediasi. Metode analisis menggunakan metode analisis jalur. Hasil analisis menunjukkan bahwa inflasi berpengaruh negatif PAD, IPM dan pertumbuhan ekonomi. PAD dan IPM memiliki pengaruh positif terhadap pertumbuhan ekonomi. PAD dan IPM merupakan variabel mediasi terbukti mampu memediasi pengaruh inflasi terhadap pertumbuhan ekonomi di kota Semararng.

Abstract: *This study aims to examine the effect of PAD, HDI and inflation on economic growth in the city of Semarang and also to examine whether PAD and HDI mediate the effect of inflation on economic growth in the city of Semarang. The data used in this research is secondary data. The variables of this research consist of inflation as the independent variable. economic growth as the dependent variable and PAD, HDI as a mediating variable. The analysis method uses the path analysis method. The results of the analysis show that inflation has a negative effect on PAD, HDI and economic growth. PAD and HDI have a positive influence on economic growth. PAD and HDI are mediating variables proven to be able to mediate the effect of inflation on economic growth in the city of Semarang.*

I. Introduction

Controlling the inflation rate or maintaining price stability is one of the main macroeconomic problems, in addition to several other important macroeconomic problems such as achieving a high level of economic growth. Economic stability is reflected in price stability, in the sense that there are no major price fluctuations that can harm the public, both consumers and producers, which will damage the foundations of the economy. Suryana (2005) in Ningsih & Andiny (2018) Suryana (2005) in Ningsih & Andiny (2018) says, economic growth is defined as an increase in GDP or GRDP regardless of whether the increase is greater or less than population growth and regardless of whether there are changes in the economic structure. Many factors affect economic growth, including inflation (Salim & Purnamasari, 2021; Arifin, 2016).

Historically, Indonesia's inflation has been higher than other developing countries, such as Thailand, Malaysia, and so on. A low and stable inflation rate will be a stimulator for economic growth. Controlled inflation will increase the profits of entrepreneurs, the increase in profits will encourage investment in the future and in the end will accelerate the creation of economic growth. On the other hand, a high inflation rate will have a negative impact on the economy which in turn can disrupt social and political stability. The negative impacts on the economy include reducing the enthusiasm of investors, the absence of economic growth, worsening income distribution and reducing people's purchasing power. Therefore, efforts should be made not to let the economic disease become an obstacle to the development of the wheels of development. Previous research results from Salim & Purnamasari (2021); explained that inflation has an effect which states that inflation has a positive effect on Economic Growth. However, the results of the study were opposed by Putri (2015); Ronaldo (2019) which explains that inflation has no effect on Economic Growth.

This research was conducted to solve the research gap above by conducting research in the public sector or government in the city of Semarang. The results of research on the effect of inflation on economic growth are still much contradictory and debated.

Govindarajan (1986) stated that to overcome the inconsistency of the research results above, a contingency approach was needed. Basically the contingency approach predicts the relationship between inflation variables and economic growth depending on environmental conditions or situational factors. Through the contingency approach, other variables can be included in the study. Another variable that is thought to influence the relationship between inflation and economic growth to solve the research gap is to include PAD and HDI variables as mediating variables.

PAD is one of the mediating variables used in researching the effect of inflation on economic growth. PAD is the income earned by the region. Kusumawati & Wiksuana (2018); Santoso (2020). states that PAD has an effect on Economic Growth.

HDI is one of the mediating variables used in researching the effect of inflation on economic growth. The Human Development Index (HDI) measures the achievement of human development based on a number of basic components of quality of life. The Human Development Index (HDI) explains how the population can access development outcomes in terms of income, health, education, and so on. (UNDP, 1990).

Boediono (2014) in Ningsih & Andiny (2018), inflation is the tendency of prices to rise in general and continuously. An increase in one or two goods is not called inflation, unless the increase is widespread and affects most of the prices of other goods. If inflation fluctuates, economic activity will tend to adjust to the conditions that occur. According to Mankiw (2006) that inflation is a natural thing, there are important variations in the level of price increases. The public often views this high rate of inflation as a major problem in the economy.

PAD based on Law Number 33 of 2004 concerning Financial Balance between the Center and the Regions Article 1 point 18 is the income obtained by the regions which is collected based on regional regulations in accordance with statutory regulations". Furthermore, referring to Article 6 of Law No. 33 of 2004, PAD is sourced from local taxes, regional levies, the results of separated regional wealth management, and other legitimate PAD. H1 : Inflation affects PAD.

Ningsih & Andiny (2018), inflation is the tendency of prices to rise in general and continuously. An increase in one or two goods is not called inflation, unless the increase is widespread and affects most of the prices of other goods. If inflation fluctuates, economic activity will tend to adjust to the conditions that occur. The impact of rising inflation causes a decline in people's purchasing power. Because the real value of the currency has decreased.

Economic growth is defined as the process of increasing the production capacity of an economy which is manifested in the form of an increase in national income. The development of the value of GRDP is one indicator that can be used as a measure to assess the success of the development of a region, or in other words, the economic growth of a region can be reflected through the growth of the value of GRDP. The rate of economic growth is calculated by comparing the GRDP of a certain year with the previous year based on ADHK. Previous research results from Salim & Purnamasari (2021); Arifin (2016) states that inflation affects Economic Growth. H2 : Inflation affects economic growth.

Inflation fluctuates, economic activity will tend to adjust to the conditions that occur. The impact of rising inflation causes a decline in people's purchasing power. Because the real value of the currency has decreased. Mankiw (2006) that inflation is a natural thing, there is an important variation in the rate of price increase. The public often views this high rate of inflation as a major problem in the economy. The government as the implementer of development certainly requires quality human capital. In an effort to develop quality human resources, efforts are needed to improve the quality of human resources, while the quality of human resources can be measured by the Human Development Index (Dewi et al. 2016). The results of research from Pangesti & Susanto (2018), there is a negative influence between inflation and the human development index (IPM). H3 : Inflation affects HDI.

The higher the PAD of a region, the less the level of fiscal dependence of the region on the center. Furthermore, regions are more flexible and flexible in planning budget allocations according to their economic agenda. Through routine spending, development/infrastructure spending, or other spending, PAD as a source of regional financing is expected to be able to create a number of new economic activities in the community. Furthermore, this will increase the value of GRDP and the level of community welfare. Regions are more flexible in utilizing PAD in accordance with their economic development agenda. However, the relationship between PAD and economic growth can lead to a negative relationship if the region is too offensive in an effort to increase its regional revenue. As is well known, recently many parties, especially the business world, have complained about the large number of taxes and/or levies that have suppressed regional competitiveness. Gunantara & Dwirandra (2014) conclude that with the increase in PAD, the regions become more capable of providing better public service facilities for local communities. Furthermore, the availability of public infrastructure will be the key to economic growth that goes hand in hand with increasing productivity. GRDP is the total value generated by all business units (economic sectors) in a region and within a certain time period (Dewi et al., 2020). There are two kinds of prices that are used as the basis for calculating GRDP, namely at current prices (ADHB) and at constant prices (ADHK). The rate of economic growth is calculated by comparing the GRDP of a certain year with the previous year based on ADHK. The results of previous research from Hendriwiyanto (2013); Mawarni (2013), Princess (2015); Santoso (2020). states that PAD has an effect on Economic Growth. H4 : PAD affects economic growth.

The government as the implementer of development certainly requires quality human capital. In an effort to develop quality human resources, efforts are needed to improve the quality of human resources, while the quality of human resources can be measured by the Human Development Index (Dewi et al. 2016). According to the United Nations Development Program (UNDP), the Human Development Index (HDI) measures human development achievements based on a number of basic components of quality of life. The Human Development Index (HDI) explains how the population can access development outcomes in terms of income, health, education, and so on. (UNDP, 1990).

Economic growth can be used as an indicator of the success of economic development. Economic growth is measured by using GRDP. Furthermore, the development of the value of GRDP is an indicator that can be used as a measure to assess the success of a region's development, or in other words, the economic growth of an area can be reflected through the growth of GRDP value. The rate of economic growth is calculated by comparing the GRDP certain year with the previous year based on ADHK. The results of research by Dewi & Sutrisna (2014); Izzah (2015); Firmansyah & Soejoto (2016); Wididarma & Jember (2021) stated that HDI has a positive effect on economic growth. H5 : HDI has an effect on economic growth.

II. Research Methods

This study uses secondary data obtained from BPS and LKPJ of the Mayor of Semarang in 2010-2021, in the form of: PAD, HDI and inflation on economic growth in the city of Semarang in 2010-2021 and from various other sources that can support this research. The method of analysis uses quantitative analysis (path analysis) using the SPSS' 25 program). The research variables consist of inflation as an independent variable, economic growth (GRDP) as an independent variable and PAD, HDI as a mediating variable.

The regression equation is as follows:

$$Y_{PAD} = b_0 + b_{Inf}X_{Inf} + e_1 \text{.....................................} \text{ Regression Equation (1)}$$
$$Y_{HDI} = b_0 + b_{Inf}X_{Inf} + e_2 \text{.....................................} \text{ Regression Equation (2)}$$
$$Y_{EG} = b_0 + b_{Inf}X_{Inf} + b_{PAD}X_{PAD} + b_{HDI}X_{HDI} + e_3 \text{...................} \text{ Regression Equation (3)}$$

Information:

Inf	:	Inflation	EG	:	Inflation	b_{HDI}	:	Inflation
PAD	:	Regional Original Income	b_{Inf}	:	Regional Original Income	b_{EG}	:	Regional Original Income
HDI	:	Human Development Index	b_{PAD}	:	Human Development Index	e	:	Human Development Index

III. Results and Discussion

III.1. Descriptive Statistical Analysis

Table 1. Descriptive Statistical.

Variabel	Mean	Standar Deviasi
Inflation	35,77	3,748
PAD	56,43	4,451
HDI	18,13	3,427
EG	49,83	3,431

Source: processed by the author, 2022

Table 1 shows the mean inflation/ value of 35.77. This indicates that inflation is relatively high. PAD/organizational commitment means 56.43 which indicates that PAD is relatively high. HDI the mean value is 18.13. This indicates that the HDI is moderate or sufficient. The mean Economic Growth of 49.83 indicates that the respondent's economic growth is relatively high. Standard deviation for: 1) Inflation is 3,748. 2) PAD is 4,451. 3) HDI is 3,427 and Economic Growth is 3,431, so the higher the standard deviation, the more heterogeneity.

Normality Test

The use of regression models for prediction will produce an error (residue) which is the difference between the actual data with the results of forecastin.

Table 2. Normality Test Results.

Keterangan	Asymp. Sig.
Regression Equation (1)	0,747
Regression Equation (2)	0,956
Regression Equation (3)	0,611

Source: processed by the author, 2022

The Kolmogorov-Smirnov value for all regression equations is significant > 0.05, meaning that the regression model meets the assumption of normality.

III.2. Multicollinearity Test
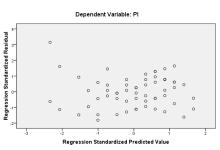
Model	Independent Variable	Dependent Variable	Collinearity Statistics	
			Tolerance	VIF
Regression Equation (1)	Inflation	PAD	1,000	1,000
Regression Equation (2)	Inflation	HDI	1,000	1,000
Regression Equation (3)	Infllation	ED	0,509	1,965
	PAD		0,471	2,122
	HDI		0,621	1,611

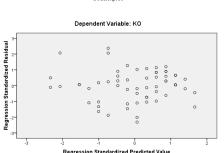Source: processed by the author, 2022

The results of the multicollinearity test, the tolerance value shows that there is no independent variable that has a tolerance value of <0.1. The results of the calculation of the VIF value also show that there is no single independent variable that has a VIF value > 10, so there is no multicollinearity.
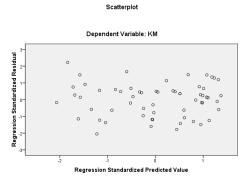
III.3. Heteroscedasticity test

Source: (Figure 1.a) processed by the author, 2022   Source: (Figure 1.b) processed by the author, 2022

Source: (Figure 1.c) processed by the author, 2022

Figures 1, 2, & 3 show that the points spread randomly and are spread above and below the number 0 on the Y axis, so there is no heteroscedasticity.

III.4. Regression Analysis

Regression analysis is needed to determine the regression coefficients and significance so that it can be used to answer the hypothesis, and to find out the direct and indirect effects of the independent variable on the dependent variable. In general the formulation of regression analysis can be written as follows :

The results of multiple linear regression analysis:

$Y_{PAD} = 27,601 + 0,806 X_{Inf} + e$
$Y_{HDI} = 0,531 + 0,492 X_{Inf} + e$
$Y_{EG} = 17,036 + 0,240 X_{Inf} + 0,416 X_{PAD} + 0,043 X_{HDI} + e$

Table 4. Regression Equation Test Results.

Model	Independent Variable	Dependent Variable	Path Coefficient	t-value	Sig.	F-value	Sig.	Adjusted R Square
Regression Equation (1)	Inflation	PAD	0,679	7,040	0,000	49,566	0,000	0,452
Regression Equation (1)	Inflation	HDI	0,538	4,864	0,000	23,654	0,000	0,277
Regression Equation (1)	Inflation	EG	0,262	2,186	0,033	27,057	0,000	0,570
	PAD		0,539	4,334	0,000			
	HDI		0,043	0,397	0,006			

Source: processed by the author, 2022

Regression equation 1 is used to analyze the effect of inflation on PAD. The table above shows the adjusted R square test value of 0.452, which means that the 45.2% PAD variable can be explained by the inflation variable, while the remaining 54.8% is explained by other variables. The results of the individual significance test (t-test) of regression equation 1 has a value of 7.040 with a significance of 0.000. This means that inflation has a significant and positive effect on PAD, while for the feasibility test the F value test is 49.566 with a significance of 0.000. The significance value <0.05 indicates that the regression equation model 1 is feasible (goodness of fit).
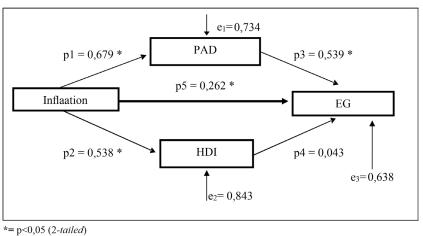
Regression equation 2, which is used to analyze the effect of inflation on HDI, based on the table above shows the adjusted R square test value of 0.277. This means that the HDI variable of 27.7% can be explained by the inflation variable, while the remaining 72.3% is explained by other variables. The results of the individual significance test (t-test) of regression equation 2 has a value of 4.864 with a significance of 0.000. This means that inflation has a positive and significant effect on HDI. The value of the feasibility test with the F value test is 23.654 with a significance of 0.000, which means that the regression equation model 2 is feasible (goodness of fit).

Regression equation 3 examines the effect of inflation on economic growth through PAD and HDI innovation. Based on the table above, it can be seen that the adjusted R square value is 0.570. This means that 57% of economic growth variables can be explained by inflation, PAD and HDI variables, while the remaining 43% can be explained by other variables outside of this study.

Based on the results of the individual significance test (t-test) in regression equation 3, all variables have a significant effect on economic growth. This is because the significance value of HDI < 0.05, which is equal to 0.006. For the inflation variable, the t-value is 2.186 with a significance of 0.033 and the PAD variable has a t-value of 4.334 with a significance of 0.000, so that the three variables have a positive and significant effect on economic growth.

In the results of the regression equation test 1, the standardized beta value for the effect of inflation on PAD is 0.679 and is significantly below 0.05. The standardized beta value of 0.679 is the path value or path p1. In the results of the regression equation test 2, the standardized beta value for the effect of inflation on HDI is 0.538 and is significantly below 0.05. The standardized beta value of 0.538 is the path value or p2 path. In the results of the regression equation test 3, the standardized beta values are 0.262; 0.539; and 0.043. The standardized beta value of 0.262 is the path value or path p5 and is significant <0.05. The standardized beta value of 0.539 is the path value or p3 path and is significant < 0.005. The standardized beta value of 0.043 is the path value or p4 path and is not significant. The value of e = 1-R2 so that e1=√1 - 0.461 = 0.734 ; the value of e2 = 1 - 0.290 = 0.843; and the magnitude of e3 = 1 - 0.592 = 0.638.

Figure 4. Path Analysis Diagram.

*= p<0,05 (2-*tailed*)

Source: processed by the author, 2022

To test the mediating power of the intervening variable, the Sobel test was carried out by analyzing the regression data as follows:

Table 5. SPSS Regression Model Output Results 1.

Coefficients[a]				
	Unstandardized Coefficients			
Model	B	Std. Error	T	Sig.
1 (Constant)	27.601	4.117	6.703	.000
Inflation	806	.115	7.040	.000

a. Dependent Variable: PAD

Source: processed by the author, 2022

Table 6. SPSS Regression Model Output Results 2.

Coefficients[a]				
	Unstandardized Coefficients			
Model	B	Std. Error	t	Sig.
1 (Constant)	.531	3.639	.146	.885
Inflation	.492	.101	4.864	.000

a. Dependent Variable: PAD

Source: processed by the author, 2022

Table 7. SPSS Regression Model Output Results 3.

Coefficients[a]				
	Unstandardized Coefficients			
Model	B	Std. Error	T	Sig.
1 (Constant)	17.036	3.846	4.429	.000
Inflation	.240	.110	2.186	.033
PAD	.416	.096	4.334	.000
HDI	.043	.108	.397	.000

a. Dependent Variable: PAD

Source: processed by the author, 2022

a. The Effect of Organizational Commitment in Mediating Budgetary Participation on Managerial Performance

From tables 5, 6 and 7, the following data can be obtained:
Unstandardize Coeff. B Inflation, Regression Equation (1) = a = 0,896
Unstandardize Coeff. Std.Error Inflation, Regression Equation (1)= Sa = 0,115
Unstandardize Coeff. B PAD, Inflation, Regression Equation (3) = b = 0,416
Unstandardize Coeff. Std.Error PAD, Inflation, Regression Equation (3) = Sb = 0,096

The effect of mediation shown by the multiplication coefficient (ab) needs to be tested with the Sobel test as follows:

$$Sab = \sqrt{b^2 Sa^2 + a^2 Sb^2 + Sa^2 Sb^2} = \sqrt{(0,416)^2 (0,115)^2 + (0,806)^2 (0,096)^2 + (0,115)^2 (0,096)^2} = 0,09055$$

To calculate the t statistic of mediation effect using the following formula:

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

$$t = \frac{(0,806)(0,416)}{0,09055}$$

$$t = \frac{0,3353}{0,09055}$$

$$t = 3,7029$$

From the above calculation, it is known that the value of t count (3.7029) > t table value (1.96), so the mediation coefficient ab (0.3966) has a mediating effect or intervening PAD in relation to inflation on economic growth.

b. The Effect of HDI in Mediating Inflation on Economic Growth.

From tables 10 and 12 above, the following data can be obtained:
Unstandardize Coeff. B Inflation, Regression Equation (2) = c = 0,492
Unstandardize Coeff. Std.Error Inflation, Regression Equation (2)= Sc = 0,101
Unstandardize Coeff. B HDI, Inflation, Regression Equation (3) = d = 0,043
Unstandardize Coeff. Std.Error HDI, Regression Equation (3) = Sd = 0,108

The effect of mediation shown by the multiplication coefficient (cd) needs to be tested with the Sobel test as follows:

$$Scd = \sqrt{dSc^2 + c^2 Sd^2 + Sc^2 + Sd^2}$$

$$Scd = \sqrt{(0,043)^2 (0,101)^2 + (0,492)^2 (0,108)^2 + (0,101)^2 (0,108)^2}$$

$$Scd = 0,002941$$

To calculate the t statistic of mediation effect using the following formula:

$$t = \frac{cd}{Scd}$$

$$t = \frac{(0,492)(0,043)}{0,002941}$$

$$t = 7,1935$$

From the above calculation, it is known that the t arithmetic value (7.1935) > t table value (1.96), so it can be concluded that the mediation coefficient cd (0.02116) means that there is a mediating or intervening HDI effect in relation to inflation on economic growth.

III.5. Discussion
a. The Effect of Organization on PAD

Inflation fluctuates, so economic activity will tend to adjust to conditions that occur. The impact of rising inflation causes a decline in people's purchasing power. Because the real value of the currency has decreased.

Hypothesis 1, namely that there is a negative effect between inflation on PAD can be proven and accepted through the results of regression equation analysis 2. This is indicated by the results of the individual significance test (t-test) regression equation 2 has a value of 4.864 with a significance of 0.000 <0.05 which means means that inflation has a positive effect on PAD. Thus, the higher the inflation rate, the higher the PAD obtained. If the relationship is high inflation will cause big obstacles to the acquisition of regional income, besides that it will affect the level of economic productivity in the community, but low inflation will have a positive impact on PAD revenue. This result is not in line with the research of Oktiani & Al Muhariah (2021); Susanto & Maskie (2014) which states that inflation has a negative effect on PAD.

b. The Effect of Inflation on Economic Growth

Boediono (2014) in Ningsih & Andiny (2018), inflation is the tendency of prices to rise in general and continuously. An increase in one or two goods is not called inflation, unless the increase is widespread and affects most of the prices of other goods.

Economic growth is defined as the process of increasing the production capacity of an economy which is manifested in the form of an increase in national income. Economic growth can be used as an indicator of the success of economic development. Economic growth is measured by using GRDP. GRDP is actually able to provide an overview of the gross added value generated by production units in an area within a certain period. There are two kinds of prices that are used as the basis for calculating GRDP, namely at current prices (ADHB) and at constant prices (ADHK). The rate of economic growth is calculated by comparing the GRDP of a certain year with the previous year based on ADHK.

Hypothesis 2, namely that there is an influence between inflation and economic growth can be proven and accepted through the results of regression equation analysis 2. This is indicated by the results of the individual significance test (t-test) regression equation 2 has a value of 4.864 with a significance of 0.000 <0.05 which means means that inflation has a positive effect on Economic Growth. Thus, the higher the inflation rate, the higher the economic growth. The results of this study contradict Salim & Purnamasari (2021) explaining that inflation has a negative effect on economic growth. However, the results of this study also do not support Ronaldo (2019); Endri (2008); which explains that inflation has no effect on economic growth. It is also different from the results of research from Salim & Purnamasari (2021); Arifin (2016) which states that inflation has a positive effect on Economic Growth and supports the results of this study.

c. The Effect of HDI on Economic Growth

In an effort to develop quality human resources, efforts are needed to improve the quality of human resources, while the quality of human resources can be measured by the Human Development Index (Dewi et al. 2016).

Hypothesis 3, namely that there is a positive influence between the Human Development Index (HDI) on Economic Growth can be proven and accepted through the results of regression equation analysis 2. This is indicated by the results of the individual significance test (t-test) regression equation 2 has a value of 4.864 with a significance 0.000 <0.05, which means that HDI has a positive effect on economic growth. Thus, the higher the HDI level, the higher the economic growth. This is in line with the explanation of Costantini & Monni (2008) which explains that if the development of human resources has increased it will also have an effect on increasing its economy because the existence of quality human resources can make a real contribution to the growth of an economy, even though in reality the growth The economy has a dual causal relationship with the Human Development Index where each region has its own results due to the different composition of the three HDI components in influencing economic growth in a region. The results of this study support Izzah (2015); Firmansyah & Soejoto (2016); Wididarma & Jember (2021) stated that HDI has a positive effect on economic growth. On the other hand, the results of this study do not support Priestnall et al. (2020); Prameswari et al. (2021); Utami (2020) that HDI has a negative effect on Economic Growth.

d. The Effect of Inflation on HDI

Mankiw (2006) that inflation is a natural thing, there is an important variation in the rate of price increase. The public often views this high rate of inflation as a major problem in the economy. The public often views this high rate of inflation as a major problem in the economy.

HDI is a composite number of education, health, and economic indicators. This HDI which is declared can be considered as the Human Welfare Index. The government as the implementer of development certainly requires quality human capital. Hypothesis 3, namely that there is a positive influence between inflation on HDI can be proven and

accepted through the results of regression equation analysis 2. This is indicated by the results of the individual significance test (t-test) regression equation 2 has a value of 4.864 with a significance of 0.000 <0.05 which means that means that inflation has a positive effect on HDI. Thus, the higher the inflation rate, the higher the HDI owned. This result is not in line with Pangesti & Susanto (2018), there is a negative influence between inflation and the human development index (HDI). On the other hand, this result is contrary to Pangesti & Susanto (2018) which actually stated that inflation positively affects the human development index (HDI).

e. The Effect of PAD on Economic Growth

PAD as a source of regional financing is expected to be able to create a number of new economic activities in the community. With the increase in economic activity in the community, there will be an increase in the amount of output of goods and/or services followed by an increase in the money supply in terms of spending made by local governments.

GRDP is actually able to provide an overview of the gross added value generated by production units in an area within a certain period. Furthermore, the development of the value of GRDP is one of the indicators that can be used as a measure to assess the success of the development of a region, or in other words, the economic growth of a region can be reflected.

Hypothesis 4, namely that there is a positive influence between PAD on Economic Growth can be proven and accepted through the results of regression equation analysis 2. This is indicated by the results of the individual significance test (t-test) regression equation 2 has a value of 4.864 with a significance of 0.000 <0.05 which means PAD has a positive effect on economic growth. Thus, the higher the PAD, the higher the economic growth it has. The higher the PAD of a region, the less the level of fiscal dependence of the region on the center. Furthermore, regions are more flexible and flexible in planning budget allocations according to their economic agenda. Through routine expenditures, development/infrastructure expenditures, or other expenditures, this will further increase the value of GRDP and the level of community welfare. This happens because the regions are more flexible in utilizing PAD in accordance with their economic development agenda. The results of this study support Putri (2015); Santoso (2020). that PAD has a positive effect on Economic Growth. However, this study contradicts Wididarma & Jember (2021) stating that PAD does not affect economic growth.

f. The Effect of HDI on Economic Growth

The United Nations Development Program (UNDP), the Human Development Index (HDI) measures human development achievements based on a number of basic components of quality of life. The HDI explains how the population can access development outcomes in terms of income, health, education, and so on. (UNDP, 1990).

GRDP is the total value generated by all business units (economic sectors) in a region and within a certain time period (Dewi et al., 2020). There are two kinds of prices that are used as the basis for calculating GRDP, namely at current prices (ADHB) and at constant prices (ADHK). The rate of economic growth is calculated by comparing the GRDP of a certain year with the previous year based on ADHK.

Hypothesis 5, namely that there is a positive influence between HDI on Economic Growth can be proven and accepted through the results of regression equation analysis 2. This is indicated by the results of the individual significance test (t-test) regression equation 2 has a value of 4.864 with a significance of 0.000 <0.05 which means HDI has a significant and positive effect on economic growth. Thus, the higher the HDI level, the higher the economic growth. The results of this study are in line with the research of Izzah (2015); Firmansyah & Soejoto (2016); Wididarma & Jember (2021) stated that HDI has a positive effect on economic growth. However, the results of this study contradict Prameswari et al. (2021), where the Human Development Index (HDI) actually has a negative effect on Economic Growth.

IV. Conclusion

Inflation has a positive effect on PAD. The higher the inflation, the PAD will increase. Inflation has a positive effect on HDI. This means that the higher the inflation, the higher the HDI. Inflation has a positive effect on economic growth. The higher the inflation, the higher the economic growth. PAD has a positive influence on economic growth. The higher the PAD, the higher the economic growth. HDI has a positive influence on economic growth. The higher the HDI, the economic growth will increase. PAD and HDI are mediating variables proven to be able to mediate the relationship between inflation and economic growth.

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