



DYNAMICS OF ECONOMIC DEVELOPMENT IN INDONESIA: IDENTIFYING FACTORS DRIVING ECONOMIC GROWTH

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ABSTRACT

This study aims to analyze qualitative factors that influence Indonesia's economic growth, including the quality of human resources, innovation, government policies, the manufacturing sector, and community empowerment. This study employs a qualitative approach with data collection through in-depth interviews, participant observation, and document analysis. The data collected were analyzed using thematic coding techniques to identify relevant patterns and themes. The findings indicate that high quality human resources, innovation, and supportive government policies play a crucial role in economic growth. Improving workforce competency through training contributes to productivity and economic growth. The manufacturing sector provides significant value added, absorbs labor, and encourages innovation. Community empowerment in business development, such as tourism and agrotourism, has a positive impact on local income and welfare. This study emphasizes the need for collaboration between the government, private sector, and communities to achieve more inclusive and sustainable economic growth.

Introduction

Economic development is a key element in achieving progress and social welfare. As a developing country, Indonesia has made significant progress in efforts to improve economic growth and the quality of life of its citizens. In recent decades, Indonesia has shown rapid economic growth, marked by infrastructure progress and a decline in poverty rates (World Bank, 2023). However, to get a comprehensive picture of the dynamics of Indonesia's economic development, it is necessary to pay attention not only to quantitative factors such as investment, inflation, and GDP, but also to qualitative factors that influence sustainable growth (BPS, 2024).

One of the important qualitative factors is the quality of human resources. Investment in education and training can improve the quality of the workforce, which in turn supports economic growth (Reza & Widodo, 2023). Good education plays a role in increasing labor productivity, innovation, and adaptability to technological advances. Research shows that a high level of education has a positive correlation with economic growth (Reza & Widodo, 2023). Therefore, improving the quality and accessibility of education is an important step in economic development in Indonesia.

In addition, the quality of institutions plays a crucial role in economic development. Good institutions, such as transparent government policies, strong legal systems, and

efficient regulations, can create a conducive investment environment and accelerate private sector growth (Salman et al., 2022). Research shows that strong institutions are correlated with higher economic growth. Sustainable institutional reforms are essential to create a business climate that supports stable economic growth (Kurniawan et al., 2023). Innovation and technological development factors also have a significant impact on economic growth. To compete globally, Indonesia needs to increase its innovation capacity and utilize the potential of its human and natural resources (Rahayu & Day, 2022). Recent research shows that investment in research and development, technology transfer, and innovation policies can drive sustainable economic growth (Rahayu & Day, 2022). Cooperation between the government and the private sector in creating an innovation ecosystem is essential to support economic growth (Bappenas, 2023).

Environmental protection is another important aspect of sustainable economic development. Unmanaged economic growth can cause environmental and ecosystem damage (LIPI, 2023). Therefore, the implementation of environmentally friendly policies and practices in the industrial and agricultural sectors is essential to ensure that economic growth does not damage the environment (Ministry of Environment, 2023). The government and stakeholders must work together to address this challenge and ensure that economic growth is sustainable (UNDP, 2023). The development of the green economy sector is also an important focus in the context of sustainable development. This sector involves the efficient use of natural resources and reducing negative impacts on the environment (Hidayat & Sari, 2023). The implementation of green economy principles can help Indonesia achieve more inclusive and sustainable economic growth (BPS, 2024). Therefore, policies that support the green economy need to be strengthened to achieve broader development goals.

Social factors also influence the dynamics of economic development. Social welfare and equality are important aspects that contribute to economic stability and growth. Research shows that high social welfare can increase productivity and participation in the economy (Salman et al., 2022). Effective social programs can reduce inequality and improve people's welfare, which in turn supports inclusive economic growth. In addition, sustainable natural resource management is key to supporting sustainable economic development. Well-managed natural resources can provide long-term economic benefits and protect the environment (LIPI, 2023). The use of innovative technology and management practices in natural resource management can help minimize negative impacts on the environment while maximizing economic benefits (Ministry of Environment, 2023).

Overall, qualitative factors such as quality of human resources, good institutions, innovation, environmental protection, and natural resource management are key elements in supporting sustainable economic growth in Indonesia. Collaboration between the government, private sector, and stakeholders is needed to address existing challenges and ensure that Indonesia's economic development strategy can run holistically and sustainably (UNDP, 2023).

Method

Qualitative research approaches are used to understand and explain social phenomena in depth by collecting and analyzing descriptive, narrative, and interpretive data. This method aims to explore the meaning, perspective, and experiences of individuals or groups related to the phenomena being studied. Creswell and Poth (2018) state that qualitative research "produces descriptive data: written or spoken words from people and their observed

behavior." Common techniques used in qualitative research include in-depth interviews, participant observation, document analysis, and case studies.

In qualitative research, researchers interact directly with participants to obtain rich and in-depth data about their perspectives. Researchers apply qualitative analysis techniques such as thematic coding to identify patterns, themes, and relationships in the data collected. This approach allows researchers to provide in-depth interpretations and better understanding of the phenomenon being studied, focusing on social context, values, and subjective experiences. Although qualitative research offers advantages in exploring individual perspectives, understanding complex social contexts, and uncovering aspects that are difficult to measure quantitatively, it also has several limitations. These limitations include the subjectivity of the researcher and the limitations in generalizing the findings. This method provides in-depth insights but is often not broadly generalizable to a larger population.

Results and Discussion

Qualitative Factors in Economic Growth

Qualitative factors play a crucial role in driving a country's economic growth. In Indonesia, qualitative aspects such as human resource quality, innovation, government policies, regulations, leadership, and work culture are the main determinants in driving sustainable economic growth. The quality of human resources, for example, has a significant impact on individual and organizational performance. Aisyah et al. (2017) found that improving the quality of human resources through training and development can increase productivity and contribute to economic growth. With better competencies, human resources can make a greater contribution to the economy (Aisyah et al., 2017).

Innovation is also an important qualitative factor that supports economic growth. Research by Pitaloka et al. (2022) shows that the manufacturing industry sector, as a locomotive of economic growth, often implements innovation in its production processes. Innovation in products, processes, and technology not only increases efficiency but also strengthens competitiveness, which in turn has a positive impact on the national economy. Government policies and regulations that support the investment climate and protection of intellectual property rights are also very important. Good policies can create conducive conditions for business actors to innovate and invest (Prihatini et al., 2020). Effective leadership, with a clear vision and development orientation, also plays an important role in motivating and directing human resources to achieve economic development goals (Aisyah et al., 2017).

A positive work culture, which includes work ethic, discipline, and responsibility, also contributes to productivity and creativity. These qualitative factors together provide a strong foundation for sustainable economic growth. To achieve sustainable growth, continuous efforts are needed to improve the quality of human resources, encourage innovation, and implement policies that support economic growth and build a productive work culture (Pitaloka et al., 2022).

Manufacturing Industry Sector Role

The manufacturing sector plays an important role in the Indonesian economy. This sector not only creates added value for the national economy but also influences employment, innovation, and the development of related sectors. Research by Pitaloka et al.

(2022) revealed that the manufacturing sector has a significant multiplier effect on the national economy. The process of processing raw materials into finished products increases the economic value and income of companies, and contributes to the growth of the national Gross Domestic Product (GDP). In addition, this sector also helps reduce dependence on imports and improves the trade balance, all of which have a positive impact on economic growth (Pitaloka et al., 2022).

The manufacturing sector also plays an important role in absorbing labor. Intensive production activities in this sector create job opportunities, reduce unemployment rates, and improve people's standard of living. Research by Prihatini et al. (2020) shows that labor absorption in the manufacturing sector has a positive impact on Indonesia's economic growth. In addition, this sector encourages innovation in technology and production processes, which triggers the development of related sectors, such as research and development and supporting industries. This innovation strengthens competitiveness and supports sustainable economic growth (Rohman & Mulyono, 2021).

Overall, the manufacturing sector plays a role in creating added value, absorbing labor, encouraging innovation, and developing related sectors. Research shows that this sector is a key component in Indonesia's economic growth, contributing significantly to the national economy (Pitaloka et al., 2022).

Community Empowerment and Business Development

Community empowerment and business development are key elements in driving inclusive and sustainable economic growth in Indonesia. Efforts to provide access, capacity, and opportunities for communities to develop their businesses can reduce economic disparities, create jobs, and improve community welfare. Research by Sari (2016) on tourism business development in Mon Ikeun Lhoknga Village shows that community empowerment through the tourism sector can make a significant contribution to local economic growth. Tourism business development has succeeded in increasing community income, creating jobs, and improving infrastructure that supports tourism development (Sari, 2016).

Research by Aisyah et al. (2017) also highlights that community empowerment through human resource development and work professionalism has a positive impact on employee performance and organizational growth. Investment in training and competency improvement can increase employee productivity and contribution to company growth. On the other hand, supportive government policies, such as fiscal incentives and ease of licensing, are also important in creating a conducive environment for business development (Zainuri et al., 2022). Research by Elyani and Akhmad Ganefo (2020) shows that agrotourism development has a significant impact on the social and economic aspects of the community, including increasing education and employment opportunities (Elyani & Ganefo, 2020).

Overall, community empowerment and business development play an important role in driving inclusive and sustainable economic growth. Efforts to improve access, capacity, and opportunities for communities can strengthen economic growth at the local and regional levels (Sari, 2016; Aisyah et al., 2017).

Conclusion

Overall, qualitative factors such as community empowerment, enterprise development, and the manufacturing sector play a crucial role in supporting Indonesia's inclusive and sustainable economic growth. Previous research and studies have shown that

community empowerment through various enterprise development initiatives can generate significant added value, increase income, and strengthen the local economy. This underscores the need for continued support in terms of investment in human resources, infrastructure, and supportive policies.

In addition, the manufacturing sector contributes greatly to national economic growth by creating added value, providing jobs, and encouraging innovation. This sector also has a positive impact on other related sectors, which play an important role in the wider economic chain. It is important to pay attention to efforts to increase productivity and competitiveness in this sector through better access to technology and improving the quality of human resources.

Findings from various studies show that collaboration between various parties, including the government, private sector, and communities, is the key to achieving quality and equitable economic growth. By focusing on the qualitative factors that support growth, Indonesia can achieve more inclusive economic growth and provide wider benefits to all levels of society.

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