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FACTORS ANALYSIS AFFECTING DEVELOPMENT INCLUSIVENESS INDEX IN JAVA ISLAND

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Abstract: Inclusive economic development is the development for everyone. It's not only constructing new economic opportunities but also guaranteeing equal opportunities for all social classes. Economic growth is said to be inclusive when it benefits the lower classes, such as poverty, income inequality, and reduction of unemployment. This study aimed to analyze the factors that affect the Java development inclusiveness index. Factors analyzed in this study consist of the gini coefficient, the proportion of the poor, the region's gross domestic product, the human development index, and average per capita spending. This study uses panel data regression to test the best model to use. The best model generated is a fixed-effects model. In addition, classical assumption tests were conducted to test the feasibility of the model in regression analysis. The data used are secondary data obtained from BPS (Central Statistics Office) and Bappenas from 2014 to 2019. The result shows the factor that has a good impact on the Development Comprehensive Index is the regional gross domestic product for a significance value of 0.0093. On the other hand, the gini coefficient, the proportion of the poor, the human development index, and the average per capita spending have a negative impact on the Development Inclusiveness Index.

Keywords: development inclusiveness index, panel data regression, fixed effect model