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## Analysis of Determinants of Economic Growth

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### ABSTRACT

This study aims to examine the effect of locally-generated revenue, HDI and inflation on economic growth in the city of Semarang and also to test whether locally-generated revenue 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 variable of this research consists of inflation as the independent variable. economic growth as the dependent variable and locally-generated revenue, HDI as a mediating variable. The analytical method uses the path analysis method. The results of the analysis show that inflation has a negative effect on locally-generated revenue, HDI and economic growth. locally-generated revenue and HDI have a positive influence on economic growth. locally-generated revenue and HDI are mediating variables proven to be able to mediate the effect of inflation on economic growth in the city of Semarang.

**Keywords:** Inflation, Economic, Revenue, HDI

### INTRODUCTION

Controlling the inflation rate or maintaining price stability is one of the main macroeconomic problems, in addition to several other important macroeconomic issues such as achieving high levels of economic growth. Economic stability is reflected in price stability, in the sense that there are no large price fluctuations that could harm society, both consumers and producers, which would damage the foundations of the economy. 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 smaller than population growth and regardless of whether there is a change in economic structure. Based on previous research, it turns out that there are many factors that affect economic growth, including inflation, namely previous research from Salim & Purnamasari (2021); Arifin (2016).

Historically, Indonesia's inflation was higher than other developing countries, such as Thailand, Malaysia, and so on. A low and stable inflation rate will be a driving force for economic growth. Controlled inflation will increase entrepreneurs' profits, increased profits will encourage investment in the future and will ultimately 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. Negative impacts on the economy include reduced investor interest, no economic growth, worsening income distribution and lowering people's purchasing power. Therefore, efforts should be made not to let economic diseases become an obstacle to the development of the wheel of development. Previous research results from Salim & Purnamasari (2021), explains that inflation has a positive effect on economic growth. However, the results of the previous research were in contrast to the results of previous studies from Putri (2015); Ronaldo (2019) explains that inflation actually has no effect on economic growth.

This research was conducted to overcome the research gap above, namely the results of previous research from Salim & Purnamasari (2021) explained that inflation affects economic growth. However, the results of this previous study were contrary to the results previous research of Putri (2015); Ronaldo (2019) explains that inflation actually has no effect on economic growth. Then, for this study, the researchers conducted research on the public or government sector in the city of Semarang. The results of research on the effect of inflation on economic growth are still contradictory and much debated. The difference between this study and previous

research (Gap analysis) is that previous studies did not use the contingency approach, while in this study, researchers instead used the opinion of Govindarajan (1986) which researchers had to do, namely the contingency approach, which researchers had never done previously. Govindarajan (1986) states that to overcome the inconsistencies in the results of the research above, a contingency approach is needed. The contingency approach has the advantage of trying to apply various management approaches to real life or certain conditions and situations. Different conditions and certain situations require a certain approach. This is what distinguishes research that uses a contingency approach and research that does not use a contingency approach. Basically, the contingency approach predicts the relationship between inflation and economic growth variables depending on environmental conditions or situational factors. Through the contingency approach, other variables can be included in the research. Another variable that is thought to influence the relationship between inflation and economic growth to overcome the research gap is to include the PAD and HDI variables as mediating variables. This is what distinguishes this research from previous studies.

The reason for using HDI as a mediating variable is because of the results of the effort government in improving human development is indicated by the Index Human Development while the reason for locally-generated revenue as a mediating variable is because based on stewardship theory it assumes that local governments are responsible for providing services to the community through capital expenditure budget allocations because the community has implemented its obligations for paying local taxes, regional levies absorbed in locally-generated revenue locally-generated revenue is one of the mediating variables used in researching the effect of inflation on economic growth. locally-generated revenue is the income earned by the region. Princess (2015); Santoso (2021) states that locally-generated revenue 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). The urgency of the research is that HDI is a comparative measure of life expectancy, literacy, education and standard of living for all countries around the world including in Indonesia. HDI is used to classify whether a country is a developed country, a developing country or an underdeveloped country and also to measure the influence of economic policy on quality of life.

This study aims to examine the effect of locally-generated revenue, HDI and inflation on economic growth in the city of Semarang and also to test whether locally-generated revenue and HDI mediate the effect of inflation on economic growth in the city of Semarang.

## METHOD

This study uses secondary data obtained from BPS and LKPJ of the Mayor of Semarang in 2010-2021, in the form of: locally-generated revenue, 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 locally-generated revenue, HDI as a mediating variable.

This study uses secondary data obtained from BPS and LKPJ Mayor of Semarang in 2010-2021, in the form of: locally-generated revenue, HDI and inflation on the economic growth of Semarang City in 2010-2021 and from various other sources that can support this research.

Methods of data analysis using quantitative analysis in the form of path analysis (path analysis) using the SPSS 25 program). The research variables consist of inflation as an independent variable, economic growth (GDP) as an independent variable and locally-generated revenue, HDI as a mediating variable.

The analysis of the mediating variables in this study was carried out using the coefficient difference method using the inspection method by conducting an analysis with and without involves a mediating variable. The difference coefficient method is carried out by conducting two analyzes, ie. analysis involving mediating variables and analysis without mediating variables. The method of examining mediating variables using the

coefficient difference approach was carried out as follows: (1) examine the direct effect of the independent variable on the dependent variable in the model involving the mediating variable (2) examine the effect of the independent on the dependent variable in the model without involving the mediating variable, (3) examining the effect of the independent variable on the mediating variable, (4) examining the effect mediating variable to the dependent variable. locally-generated revenue.

The regression equation is as follows:

$$Y_{LGR} = b_0 + b_{inf}X_{inf} + e_1 \text{..Regression Equation (1)}$$

$$Y_{HDI} = b_0 + b_{inf}X_{inf} + e_2 \text{..Regression Equation (2)}$$

$$Y_{EG} = b_0 + b_{inf}X_{inf} + b_{LGR}X_{LGR} + b_{HDI}X_{HDI} + e_3 \dots$$

Regression Equation (3)

Information:

Inf = Inflation

LGR = Locally-Generated Revenue

HDI = Human Development Index

EG = Economic Growth

$b_{inf}$  = Intercept Inflation

$b_{LGR}$  = Intercept Locally-Generated Revenue

$b_{HDI}$  = Intercept Human Development Index

$b_{EG}$  = Intercept Economic Growth Intercept

$e$  = Error

## RESULT

### Descriptive Statistical Analysis

Table 1. Descriptive Statistical

Variabel	Mean	Standar Deviasi
Inflation	35,77	3,748

### Multicollinearity Test

Table 3. Multicollinearity Test results

Model	Independent Variable	Dependent Variable	Collinearity Statistics	
			Tolerance	VIF
Reg. Eq. (1)	Inflation	PAD	1,000	1,000
Reg. Eq. (2)	Inflation	HDI	1,000	1,000
Reg. Eq. (3)	Inflation		0,509	1,965
	LGR	EG	0,471	2,122
	HDI		0,621	1,611

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. The multicollinearity test aims to test and find out whether in a regression model a high or perfect correlation is

LGR	56,43	4,451
HDI	18,13	3,427
EG	49,83	3,431

Table 1 shows the mean inflation/ value of 35.77. This indicates that inflation is relatively high. LGR/organizational commitment means 56.43 which indicates that LGR 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) LGR 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

Information	Asymp. Sig.
Reg. Eq. (1)	0,747
Reg. Eq. (2)	0,956
Reg. Eq. (3)	0,611

The Kolmogorov-Smirnov value for all regression equations is significant > 0.05, meaning that the regression model meets the assumption of normality. Normally distributed data is data whose distribution pattern is bell-shaped and symmetrical, meaning that the data pattern does not slant to the left or to the right. After testing for normality it is known that the data we use is normally distributed.

found between the independent variables. In this study, the multicollinearity test did not occur, meaning that the regression model did not find a correlation between the independent variables or the independent variables

The heteroscedasticity test was carried out in the regression model to test whether there is an unequal variance from the residuals from one



observation to another. The residual is the difference between the observed value and the predicted value; and absolute is the absolute value. If the residual variations are different, then it is called heteroscedasticity while the results of this study do not occur heteroscedasticity, meaning that the residual variations are not different.

### 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:

$$Y_{LGR} = 27,601 + 0,806 X_{Inf} + e$$

$$Y_{HDI} = 0,531 + 0,492 X_{Inf} + e$$

$$Y_{EG} = 17,036 + 0,240 X_{Inf} + 0,416 X_{LGR} + 0,043 X_{HDI} + e$$

Table 4. Regression Equation Test Results

Model	Independent Variable	Dependent Variable	Path Coefficient	t-value	Sig.	F-value	Sig.	Adjusted R Square
Reg. Eq.(1)	Inflation	LGR	0,679	7,040	0,000	49,566	0,000	0,452
Reg. Eq. (2)	Inflation	HDI	0,538	4,864	0,000	23,654	0,000	0,277
Reg. Eq. (3)	Inflation	EG	0,262	2,186	0,033	27,057	0,000	0,570
	LGR		0,539	4,334	0,000			
	HDI		0,043	0,397	0,006			

Regression equation 1 is used to analyze the effect of inflation on LGR. The table above shows the adjusted R square test value of 0.452, which means that the 45.2% LGR 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 LGR, 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). The purpose of the Goodness of Fit test is to determine how precisely the observed frequency is with the expected frequency. Of course, the more complex a measurement model for a concept, the more complex the instruments needed in testing the suitability or suitability of the required model. The result of this study is Goodness of Fit, which means the more complex the instruments needed in testing the suitability or fit of the model required.

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). The purpose of the Goodness of Fit test is to determine how precisely the observed frequency is with the expected frequency. Of course, the more complex a measurement model for a concept, the more complex the instruments needed in testing the suitability or suitability of the required model. The result of this study is Goodness of Fit, which means the more complex the instruments needed in testing the suitability or fit of the model required.

Regression equation 3 examines the effect of inflation on economic growth through LGR 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, LGR 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 LGR 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  $e = 1 - R^2$  so that  $e_1 = \sqrt{1 - 0.461} = 0.734$ ; the value of  $e_2 = 1 - 0.290 = 0.843$ ; and the magnitude of  $e_3 = 1 - 0.592 = 0.638$ .

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 <sup>a</sup>					
Model		Unstandardized Coefficients		t	Sig.
		B	Std. Error		
1	(Constant)	27.6	4.117	6.7	0
	Inflation	0.806	0.115	7.04	0

a. Dependent Variable:  
LGR

Table 6. SPSS Regression Model Output Results 2

Coefficients <sup>a</sup>					
Model		Unstandardized Coefficients		t	Sig.
		B	Std. Error		
1	(Constant)	0.53	3.639	0.15	0.89
	Inflation	0.49	0.101	4.86	0

a. Dependent Variable:  
HDI

Table 7. SPSS Regression Model Output Results 3

Coefficients <sup>a</sup>					
Model		Unstandardized Coefficients	t	Sig.	
1	(Constant)	17.04	3.846	4.43	0
	Inflation	0.24	0.11	2.19	0.03
1	LGR	0.416	0.096	4.33	0
	HDI	0.043	0.108	0.4	0.69

	B	Std. Error		
(Constant)	17.04	3.846	4.43	0
Inflation	0.24	0.11	2.19	0.03
LGR	0.416	0.096	4.33	0
HDI	0.043	0.108	0.4	0.69

a. Dependent Variable:  
EG

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:

1. *Unstandardize Coeff. B* Inflation, Regression Equation (1) = a = 0,896
2. *Unstandardize Coeff. Std.Error* Inflation, Regression Equation (1) = Sa = 0,115
3. *Unstandardize Coeff. B* PAD, Inflation, Regression Equation (3) = b = 0,416
4. *Unstandardize Coeff. Std.Error* LGR, 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:

$$S_{ab} = \sqrt{b^2 S_a^2 + a^2 S_b^2 + S_a^2}$$

$$S_b^2 = \sqrt{(0,416)^2 (0,115)^2 + (0,806)^2 (0,096)^2 + (0,115)^2 (0,096)^2} = 0,09055$$

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

$$t = ab / S_{ab}$$

$$= (0,806)(0,416) / 0,09055$$

$$= 0,3353 / 0,09055$$

$$= 3,7029$$

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 LGR 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:

1. *Unstandardize Coeff. B* Inflation, Regression Equation (2) = c = 0,492
2. *Unstandardize Coeff. Std.Error* Inflation, Regression Equation (2) = Sc = 0,101
3. *Unstandardize Coeff. B* HDI, Regression Equation (3) = d = 0,043
4. *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:

$$\begin{aligned} \text{Scd} &= \sqrt{d\text{Sc}^2 + c^2\text{Sd}^2 + \text{Sc}^2 \text{Sd}^2} \\ &= \sqrt{(0,043)^2(0,101)^2 + (0,492)^2(0,108)^2 +} \\ &\quad (0,101)^2(0,108)^2} \\ &= 0,002941 \end{aligned}$$

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

$$\begin{aligned} t &= \text{cd} / \text{Scd} \\ &= (0,492)(0,043) / 0,002941 \\ &= 7,1935 \end{aligned}$$

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.

## DISCUSSION

### A. The Effect of Inflation on LGR

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 LGR 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 LGR. Thus, the higher the inflation rate, the higher the LGR 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 LGR. 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 LGR.

### 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 and at constant prices. 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 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 LGR on Economic Growth**

LGR 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 LGR has a positive effect on economic growth. Thus, the higher the LGR, the higher the economic growth it has. The higher the LGR 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 LGR in accordance with their economic development agenda. The results of this study support Putri (2015); Santoso (2020). that LGR has a positive effect on Economic Growth. However, this study contradicts Wididarma & Jember (2021) stating that LGR 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 and at constant prices. 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

### CONCLUSION

Inflation has a positive effect on LDR. 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. LGR has a positive influence on economic growth. The higher the LGR, the higher the economic growth. HDI has a positive influence on economic growth. The higher the HDI, the economic growth will increase. LGR and HDI are mediating variables proven to be able to mediate the relationship between inflation and economic growth. Government to increase regional revenue sources with the aim of improving public services in the form of health, education and the economy so that the quality of human development increases because if there is a low HDI in one of the Regencies/Cities it will affect the size of the HDI in the Province as a whole.

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