



## ANALYSIS OF THE INFLUENCE OF EXPORTS, EXCHANGE, INFLATION AND TAX REVENUE ON INDONESIA'S ECONOMIC GROWTH FOR THE 2012-2021 PERIOD

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### Abstract

Continuous changes in economic conditions towards a better condition during a certain period are expected to improve living standards and equitable distribution of national welfare. An economy is said to experience growth if the development of the economic level is higher than that achieved in the past. The purpose of this study is to determine and analyze the effect of exports, exchange rates, inflation and tax revenues on Indonesia's economic growth in 2012-2021. This research is quantitative associative by using secondary data in the form of time series data obtained from Bank Indonesia reports, data from the Badan Pusat Statistik, data from the Ministry of Trade and other information sources. The technical analysis used is multiple linear regression analysis using e-views. The results of this study show that: (1) exports have no significant effect on economic growth; (2) the exchange rate has a partial significant effect on economic growth; (3) inflation has a partial significant effect on economic growth; (4) tax revenue has a partial significant effect on economic growth; and (5) exports, exchange rates, inflation and tax revenues simultaneously have a significant effect on economic growth in Indonesia in 2012-2021.

**Keywords:** exports, exchange rate, inflation, tax revenue, Indonesia's economic growth.

### INTRODUCTION

Continuous changes in economic conditions towards a better condition during a certain period are expected to improve living standards and equitable distribution of national welfare. An economy is said to experience growth if the development of the economic level is higher than that achieved in the past. The classic definition of economic growth according to Adam Smith is that an economy will grow and develop if there is population growth that expands markets and encourages specialization. Meanwhile, according to David Ricardo, the opposite argues, that greater population growth will produce a large workforce, so that wages decline and the economy becomes stagnant. Economic growth is one of the indicators of development success. The higher the economic growth, usually the higher the level of public welfare, although there is another indicator, namely income distribution. In a country's economy there is an indicator used to assess whether the economy is doing well or not.

Indonesia's economic growth was highest in the 2012-2021 period of 12.50% in 2012 and the lowest in 2020 corrected by 3.37%. Indonesia's economy throughout 2021 grew by 8.55%, higher than the achievement in 2020 which experienced a growth contraction of 3.37%. This condition is further exacerbated due to the spread of the Covid-19 pandemic. In terms of production, the highest growth occurred in the business field of health services and social activities by 10.46%. Meanwhile, in terms of expenditure, the highest growth was achieved by the component of goods and services by 24.04%. Spatially Indonesia's economic structure in 2021 is dominated by provincial groups in Java Island

which contributed 57.89% of the economy and economic performance which experienced growth of 3.66%.

The development of Indonesia's export and import performance in 2021 closed with positive achievements in the trade balance. It can be seen that in December 2021, Indonesia again experienced a surplus of USD 1.02 billion. This brings the surplus trend back to be maintained since May 2020 or for 20 consecutive months. Throughout 2021, Indonesia's trade balance surplus reached USD 35.33 billion. The surplus value is the highest record since the last 16 years or since 2006, where in that year the surplus value reached US \$ 39.73 billion. In the midst of various global uncertainties, Indonesia was still able to record an impressive performance in the trade balance. This performance will increase the resilience of Indonesia's external sector, so that it will be stronger in facing various challenges that are expected to continue this year, quoted from the statement of the Coordinating Minister for Economic Affairs on January 17, 2022. The surplus performance throughout 2021 was supported by the export value which reached USD 231.54 billion or double-digit growth of 41.88% (yoy). Downstream of superior commodities, such as crude palm oil (CPO) derivatives, has succeeded in boosting Indonesia's export performance. This is reflected in exports of animal/vegetable fats and oils (HS 15), which throughout 2021 reached USD 32.83 billion, an increase of 58.48% (yoy).

In addition to CPO, downstream nickel commodities also strengthened Indonesia's export performance, with export growth of nickel commodities and goods thereof (HS 75) able to grow by 58.89% (yoy) to US \$ 1.28 billion. Furthermore, of the top 10 main export commodities, metal ore, slag and ash (HS 26) experienced the highest growth of 96.32% (yoy) to US \$ 6.35 billion. Followed by exports of iron and steel commodities (HS 72) which also rose significantly to reach 92.88% (yoy) to US \$ 20.95 billion. "This achievement indicates that Indonesia's economic recovery continues. This is also reflected in the increasing creation of added value in the manufacturing sector. Cumulatively, non-oil and gas exports from the processing industry from January to December 2021 rose 35.11% (yoy) to USD 177.11 billion (Coordinating Minister for Economic Affairs, 2022). The structure indicates a productive Indonesian economy through the creation of greater added value, both for domestic needs and for re-export. This positive performance in 2021 will continue to be maintained by the Government by optimizing various policies, especially in encouraging more exports of value-added commodities.

In addition, fluctuations in the country's currency exchange rate (exchange rate) affect economic growth factors in Indonesia. According to Afrizal (2021), the exchange rate is the price of a country's currency in commodity units (gold or silver) or another country's currency. Exchange rate is the value of a country's currency measured by the value of one currency unit against another country's currency. According to Manurung (2009) the exchange rate is the price of one currency in units of another currency determined in the foreign exchange market. The exchange rate is one of the important indicators for a country's economy. Fluctuating exchange rate movements will affect people's behavior in holding money and also affect a country in stabilizing its economy. Indonesia as an adherent of the

floating exchange rate system also experiences unstable exchange rate movements. The instability of the rupiah exchange rate will also affect the Indonesian economy.

Economic growth in Indonesia is also inseparable from inflationary factors. It is generally known that inflation has a bad influence on economic growth. Inflation is one indicator that can indicate economic instability for a country. Generally, the relationship between inflation and economic growth is positive in the short run. Research shows that in the long run, the relationship between inflation and economic growth is negative. According to Burdekin, et. al (2000) The inflation rate that can reduce economic growth is at the level of 3% for developing countries, while 8% for industrialized countries. According to Fischer (1993) that inflation has a negative influence on economic growth in the long run, which is between 15% to 30%. In other words, the relationship of inflation and economic growth shows the economic development of a country based on a certain time. Meanwhile, according to BPS, inflation is the tendency to increase the price of goods and services.

## **LITERATURE REVIEW**

Economic growth is defined as the development of activities in the economy that cause goods and services produced in society to increase and community prosperity to increase (Sukirno, 2016). According to the Neo-Classical theory of Robert Solow and Trevor Swan developed since the 1950s, economic growth depends on the increase in the provision of factors of production (population, labor, capital accumulation) and the level of technological progress. According to this theory, the extent to which the economy will develop depends on population growth, capital accumulation and technological progress. According to Harrod-Domar, any economy can set aside a certain proportion of its national income if only to replace damaged capital goods (buildings, equipment, materials). However, to grow the economy, new investments are needed as an additional capital stock.

An economy is considered to experience growth if all real remuneration for the use of factors of production in a given year is greater than in the previous year. In other words, the economy is said to experience growth if the real income of the people in a given year is greater than the real income of the people in the previous year. So economic growth measures the performance of economic development from one period to another. A country's ability to produce goods and services will increase. This increased ability is due to the accretion of factors of production both in quantity and quality. Investment will increase capital goods and the technology used is also growing.

## **Export**

Export is the sale of goods abroad with payment systems, quality, quantity and other sales conditions approved by exporters and importers. The advantage of the export business is that it can expand markets, increase a country's foreign exchange reserves, and expand employment. Export is a business that can increase domestic demand. High production levels can increase labor supply to

reduce unemployment and the vicious cycle of poverty can be broken and can increase economic development to increase economic growth. Exports can have a positive impact on the country's economy because they are expenditures from residents of other countries on goods produced domestically.

Amir M.S. (2009), Export is removing goods from circulation in society and sending them abroad according to government regulations and expecting payment in foreign currency. Exports are shipments of goods outside the Indonesian Customs area (Kobi, Daud S.T, 2016). Export is the activity of removing goods from the customs area (Susilo, Andi, 2013). Export is trading by removing goods from inside to outside the Indonesian customs area by fulfilling applicable regulations (Feriyanto, Andri, 2016). Export is the delivery of goods to outside the region from the territory of the State of Indonesia (Marzuqi Yahya, 2016). Export according to the Customs Law is the activity of removing goods from the customs area (Law of the Republic of Indonesia Number 17 of 2006). From the definition above, the writer can conclude that export is trade in goods abroad with a payment system through foreign exchange.

### **Exchange rate**

The exchange rate of a currency or exchange rate is the exchange rate of a country's currency against other foreign countries (Thobarry, 2009). A more complete definition of the exchange rate is an exchange between two different currencies, namely the comparison of the value or price between the two currencies. This comparison of values is usually referred to as the exchange rate. Exchange rates generally change, exchange rate changes can be in the form of depreciation and appreciation. The depreciation of the rupiah against the dollar is a decrease in the price of the US dollar against the rupiah. Meanwhile, the appreciation of the rupiah against the dollar is an increase in the rupiah against the USD (Anwary, 2011:17).

Exchange rates are also often referred to as currency exchange rates. Exchange rates have an important role in terms of transactions, particularly in export and import activities. Because the exchange rate is able to translate various prices with different currencies from other countries. In addition, the exchange rate also has an important role in the foreign exchange market, or commonly known as forex. In this foreign exchange market, there will be an exchange of currencies at exchange rates that have been agreed upon by the various parties concerned. The exchange rate can also experience two kinds of changes, namely appreciation and depreciation. If the currency of another country experiences an appreciation against the currency of another country, it will cause export activities to become more expensive and import activities to become cheap. Meanwhile, depreciation is a decrease in the value of the local currency against the currency of another country. If the local currency depreciates against the currency of another country, it will cause export activities to become cheaper and import activities to become more expensive.

The exchange rate will be very important, in a country when conducting economic transactions with other countries. This is because the exchange process uses different currencies, for example, between Indonesia and the United States. America is obliged to buy rupiah to be able to buy goods or carry out economic activities in Indonesia, and vice versa. In simple terms, the exchange rate can be interpreted as a price based on a domestic currency against another country's currency. The exchange rate is one of the most important things in an open economy, because it has an impact on the current account balance and on other macroeconomic variables.

### **Inflation**

Inflation is a tendency of prices to increase in general and continuously. An increase in the price of just one or two goods cannot be called inflation if the increase extends (or results in an increase) to other goods. According to Ardiansyah (2017) Inflation is an economic event that often occurs even though we never want it to. Milton Friedman (2010) said that inflation is everywhere and is always a monetary phenomenon that reflects excessive and unstable monetary growth. Inflation is an increase in prices continuously in a certain period. An increase in the price of these goods is said to be inflation if it is not just one or two prices of other goods that go up even higher. For example, increases in rice prices, fuel prices, car prices, labor wages, land prices, and capital goods rents. Indonesia is a country consisting of various ethnic groups and there are many cultures. The Muslim community, in particular, dominates the population of Indonesia, especially during the fasting month of Ramadan and Idul Fitri holidays, as a result, during the fasting month the prices of main goods and the needs of Idul Fitri tend to be higher.

### **Tax**

Tax from an economic perspective is understood as a transfer of resources from the private sector to the public sector Islamiah (2015). This understanding illustrates that the presence of taxes causes two situations to change. First, the reduced ability of individuals to control resources for the benefit of controlling goods and services. Second, increasing the state's financial capacity in the provision of public goods and services which are the needs of the community.

### **METHOD**

This research is associative quantitative in nature which aims to determine the effect or relationship of two or more variables (Sugiyono, 2003). His research method is to describe and study published books, articles and journals as well as record data on Indonesia's economic growth, exports, the rupiah exchange rate against the dollar, inflation and tax revenues from Bank Indonesia reports, data from the Central Bureau of Statistics, data from the Ministry of Trade and other sources of information.

The population used in this study is data on Indonesian exports, exchange rates, inflation, and tax revenues on Indonesia's economic growth as measured by GDP per capita for 2012-2021. This study uses secondary data samples. The dependent variable in this study is Indonesia's GDP per capita in 2000-2021 and the independent variables are exports, exchange rate, inflation and tax revenues in 2012-2021.

## **RESULTS AND DISCUSSION**

Based on the data processing that has been carried out, the results of estimating regression parameters were obtained, an R-squared value of 0.988 was obtained, which means that variables  $X_1$ ,  $X_2$ ,  $X_3$ , and  $X_4$  affect variable Y by 98.8%, the remaining 1.2% is influenced by other variables that are not included in this research model. Exports, Exchange Rates, Inflation, and Tax Revenue simultaneously have a significant effect on economic growth in Indonesia in 2012-2021.

In a partial test conducted to see whether a variable in the regression model formed has an individual influence. Prob value (t-statistic) = 0.383 > 0.05 so that it can be explained  $X_1$  does not have a significant effect on Y. Partial exports do not have a significant effect on economic growth in Indonesia in 2012-2021. Prob value (t-statistic) = 0.042 < 0.05 so that  $X_2$  has a significant influence on Y. Exchange rates partially have a significant effect on economic growth in Indonesia in 2012-2021. Prob value (t-statistic) = 0.002 < 0.05 it can be seen that  $X_3$  has a significant influence on Y. Inflation partially has a significant effect on economic growth in Indonesia in 2012-2021. Prob value (t-statistic) = 0.009 < 0.05 so that  $X_4$  has a significant influence on Y. Tax revenue partially has a significant effect on economic growth in Indonesia in 2012-2021.

## **CONCLUSION**

Based on data analysis and hypothesis testing, it can be concluded: Partial exports do not have a significant effect on economic growth in Indonesia in 2012-2021. The exchange rate partially has a significant effect on economic growth in Indonesia in 2012-2021. Partial inflation has a significant effect on economic growth in Indonesia in 2012-2021. Partial tax revenue has a significant effect on economic growth in Indonesia in 2012-2021. Exports, Exchange Rates, Inflation, and Tax Revenue simultaneously have a significant effect on economic growth in Indonesia in 2012-2021. In terms of policy, it is expected that the Government will be able to increase sources of state revenue from taxes, improve rupiah exchange rate stability policy against the dollar, and general goods price stability policy from inflation. In terms of export policy, it can be reevaluated because it has not been able to make a significant contribution to Indonesia's economic growth based on data analysis and hypothesis testing in this study.

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