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Research Article

The Influence of Exports and Imports on Indonesia's Economic Growth

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Abstract

The aim of this research is to analyze the influence of exports and imports on economic growth in Indonesia. This research uses secondary data obtained from the Central Statistics Agency for 2012-2023. This research uses multiple linear regression analysis methods and uses several classical assumption tests. To process the data, several tests are used, namely the Statistical Test and the Classical Assumption Test. Data is processed using the Eviews application. From the results of this research, it is known that exports do not have a significant effect on economic growth in Indonesia. Imports also do not have a significant effect on growth in Indonesia.

Introduction

According to (Kurniawan 2016) economic growth is defined as the development of activities in the economy which causes the goods and services produced to increase and welfare to increase. A country's economy can be seen from the size of economic growth at the Gross Domestic Product (GDP) level. Total GDP output growth can be achieved if a country gains profits from specialization activities. Specialization can be realized if there is a large market available to accommodate production results. According to Smith, a broad market can be obtained by conducting international trade. International trade activities themselves can be divided into two types of trade activity groups, namely export activities and import activities.

According to Masitha & Pangidoan (2020), the definition of export is the release of goods from the Indonesian customs area to be sent abroad by following the applicable provisions, especially regarding customs regulations. Exports have a significant impact on the country's economic growth. As explained by the Heckscher-Ohlin theory, a country uses its cheap and abundant production factors to export its production-intensive products (Novariani et al., 2021). This activity benefits the country because it increases national income and accelerates development and economic growth (Mariska & Lutfiah, 2020).

Import activities are the purchase of goods from abroad or the import of goods into the country (Ismanto et al., 2019). Import can be interpreted as bringing goods from one (foreign) country into the customs territory of another country (Bahari, 2021). Import activities show the amount of consumption that is proportional to income and the amount of dependence on goods and services needed by the population of a country because they are not yet able to produce and provide for their own needs. Judging from the aspect of imports and the amount of income, the amount of import value shows the community's ability to import imported goods. Imports are a reflection of the welfare and prosperity of society which is encouraged by good economic growth.

GDP increases when the value of a country's exports increases. This shows that the goods or services produced in the country are popular. This shows that the goods or services produced by that country are popular with other countries, this means that the export value dominates over the import value and will increase people's economic activities.

Table 1
Value of Exports and Imports in Indonesia

Year	Growth(%)	Exports(Million US$)	Import(Million US$)
2012	6,03	600. 136,6	136.283,62
2013	5,56	700.005	141.109,59
2014	5,01	594.465,5	147.734,28
2015	4,88	508.827,2	147.093,35
2016	5,03	511.728,1	152.025,37
2017	5,07	545.846,6	160.749,29
2018	5,17	608.907,5	171.719,43
2019	5,02	654.474,4	162.628,73
2020	-2,07	579.678,2	151.88
2021	3,7	621.667,8	178.287,41
2022	5,31	646.673,8	183.231,3
2023	5,05	701.965,9	197.971,3

From Table 1 we can see that the export value from 2012 to 2023 experienced insignificant fluctuations, where in 2023 exports were the highest with a total of 701,965.9 US$. Imports from 2012 to 2023 experienced fluctuations and in 2023 imports were the highest with a total of 197,971.3 US$, in 2022 the second highest import value was 183,231.3 US$. This is what causes economic growth to weaken. The value of economic growth from 2012 to 2023 experienced fluctuations, the highest value was in 2012 at 6.03% and the lowest was in 2020, economic growth reached -2.07% where the Indonesian economy experienced deflation or a drastic decline because economic development in Indonesia had a slow movement. less stable. The changes that occurred were influenced by the Covid-19 pandemic. Based on the results of previous studies regarding imports and exports on the country's economic growth, the aim of this research is to determine the effect of exports and imports on Indonesia's economic growth.

Hypotheses Development

A hypothesis is defined as a temporary answer or assumption to a research problem. The hypothesis that can be developed based on this introduction to determine the influence of exports and imports on economic growth in Indonesia from 2012 to 2023 is as follows

Hypothesis 1 (H1): Exports have a significant positive influence on economic growth in Indonesia.

There is a significant positive relationship between exports and economic growth in Indonesia. This hypothesis assumes that increasing exports will make a significant positive contribution to the country's economic growth. In more detail, it is believed that increasing export volume will have positive impacts such as increasing state income through foreign exchange, wider investment opportunities, increased productivity and the competitiveness of domestic industry. Therefore, this hypothesis is related to the potential for encouraging exports to overall economic growth. This hypothesis analysis will involve collecting and analyzing statistical data related to export volume and Indonesia's economic growth. A quantitative approach will be used to measure these two variables objectively and to identify significant relationships between them. Thus, it is hoped that this analysis can provide in-depth insight into the impact of exports on Indonesia's economic growth during the specified time.

Hypothesis 2 (H2): Imports have a significant negative influence on economic growth in Indonesia.

With this approach, it is hoped that a clear picture can be obtained regarding how exports and imports influence economic growth in Indonesia. There is a significant negative relationship between imports and economic growth in Indonesia. This hypothesis is based on the assumption that increasing imports can have a negative impact on the country's economic growth. In more detail, increasing imports can reduce the competitiveness of domestic industry, dampen local production, and reduce demand for domestic products. Thus, reduced domestic demand due to high imports could potentially hamper economic growth. To test this hypothesis, data analysis will be carried out regarding import volume and Indonesia's economic growth. A quantitative approach will be used to measure these two variables objectively and to find a significant negative relationship between them. Thus, it is hoped that this analysis can provide deeper insight into the impact of imports on Indonesia's economic growth.

This hypothesis was proposed with the belief that an increase in the export sector would have a significant positive impact on Indonesia's economic growth. By using a quantitative research approach that emphasizes the analysis of empirical data in Indonesia, it is hoped that statistical evidence can be presented that confirms that increasing exports significantly increases the country's economic growth. Therefore, this hypothesis reflects the view that exports play an integral role in strengthening Indonesia's economic prosperity. This hypothesis is formulated with the assumption that an increase in import activities will have a significant negative impact on Indonesia's economic growth. Through a quantitative research approach that focuses on statistical analysis in Indonesia, it is hoped that empirically it can be revealed that increasing imports is significantly hampering the country's economic growth. This hypothesis shows the importance of managing imports carefully to strengthen the foundations of Indonesia's economic growth.

Method

This research uses secondary data in the form of annual quantitative figures from 2012 to 2023. Secondary data is data obtained based on reports issued by government agencies which are presented in various forms of research reports, journals, archives from agency data. . Data sources were obtained from the Central Statistics Agency (BPS) and also various related agencies and internet data related to research.

To determine the influence of exports and imports on economic growth in Indonesia, this research uses several analyzes and tests of Multiple Linear Regression Analysis to see the influence of two or more independent variables on the dependent variable. This multiple linear analysis will be processed using the eviews program for testing. The multiple linear function equations are:

$$Y = \boldsymbol{\alpha} + \boldsymbol{\beta 1}\ \boldsymbol{X1} + \boldsymbol{\beta 2}\ \boldsymbol{X2} + \in$$

Information :

Y = Economic Growth α = Constant
$\beta 1$, $\beta 2$ = Regression Coefficients $X1$ = Export
$X2$ = Import
$\in$ = Standard Error

Carry out tests on partial regression coefficients and simultaneous tests to find out whether exports and imports individually have a partial influence on economic growth in Indonesia. The purpose of the F test is to test whether economic growth has a simultaneous or joint influence on economic growth in Indonesia.

Results And Discussion

Result

The classic assumptions made in this research are the Normality and Multicollinearity Tests. Next, carry out hypothesis testing, namely the t-statistic and f-statistic tests. Below are presented the results of the research

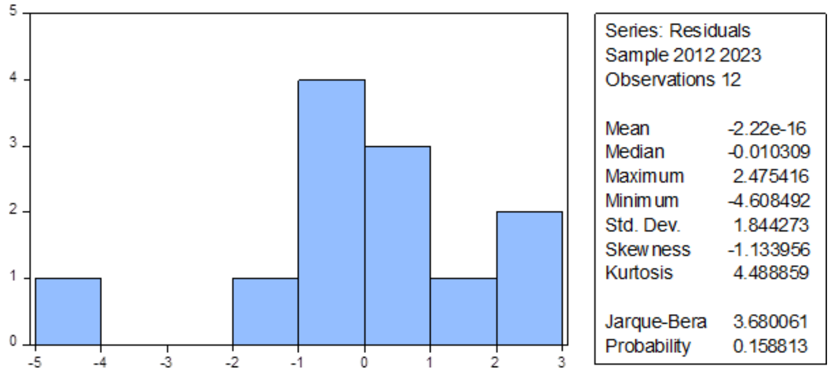

Figure 1.
Normality Test Results

The results of the Normality Test above show that the probability value is 0.158813 > 0.05, so it can be concluded that the data used is normally distributed so that the regression model can be used for hypothesis testing. This assumption is made to find out whether the independent variables meet these assumptions by paying attention to the Pearson correlation value of less than 0.9. the results of the Multicollinearity Test can be seen in the Centerede VIF table. It is known that the VIF value for exports is 1.057957 and for imports it is 1.057957, which means that all VIF (Variance Inflating Factor) values are < 10, which means that the data does not contain multicollinearity.

Table 2
Multiple Linear Regression Test Results

Dependent Variable: Y
Method: Least Squares
Date: 05/18/24 Time: 17:05
Sample: 2012 2023
Included observations: 12

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	2.528821	2.733016	0.925286	0.3790
X1	1.24E-07	3.89E-05	0.003195	0.9975
X2	1.62E-05	9.62E-06	1.689163	0.1255

R-squared	0.250997	Mean dependent var	4.480000
Adjusted R-squared	0.084552	S.D. dependent var	2.131001
S.E. of regression	2.038921	Akaike info criterion	4.475036
Sum squared resid	37.41479	Schwarz criterion	4.596263
Log likelihood	-23.85022	Hannan-Quinn criter.	4.430154
F-statistic	1.507988	Durbin-Watson stat	1.246184
Prob(F-statistic)	0.272380		

Multiple linear regression analysis is used to determine the effect of Exports (X1) and Imports (X2) on Indonesia's Economic Growth (Y). The regression results using the Eviews data processing program are then entered into the multiple linear regression equation as follows:

$Y = 2.528821 + 1.24E\text{-}07\ X1 + 1.62E\text{-}05\ X2 + \in$

Based on the formula above, it can be interpreted as follows:

1. Constant (2.528821): When X1 (Exports) and X2 (Imports) are zero, Indonesia's Economic Growth has a value of 2.528821.
2. Coefficient
3. Coefficient

Based on Table 2, the t-statistic test obtains a probability value for exports of 0.9975 and imports of 0.1255. This shows that exports do not have a significant effect on economic growth because this value is greater than the alpha value of 0.05. And imports also have no significant effect because the probability value is greater than alpha 0.05. Exports show a positive relationship towards economic growth. This is shown by the export coefficient value of 1.24E-07 and imports also show a positive direction of relationship with a coefficient value of 1.62E-05.

The f-statistic test results based on the results in Table 4 show the F-statistic value of 1.507988 with a probability of 0.272380 > 0.05. This shows that exports and imports do not have a significant effect on economic growth because this value is greater than the alpha value of 0.05. This shows that the two variables do not simultaneously influence economic growth.

Discussion

Economic growth occurs when the constant value of exports and imports is 2.528821 which shows a positive sign, so if exports and imports are zero, then the average percentage of economic development increases by 2.528821. The coefficient value is 1.24E-07, which gives positive results, so if the export value increases by 1% then economic growth will decrease by 1.24E-07 while the other variables remain constant. The import regression coefficient value is 1.62E-05, which means that imports have a negative effect, so if imports increase by 1% then economic growth will decrease by 1.62E-05 while other variables remain constant.

The research results show that exports do not have a strong effect on economic growth, but exports are known to have a positive and significant effect on economic growth. This is in accordance with previous research by Zatira et al., 2021 and Ginting (2017). Overall, the initial analysis shows strong evidence that when the value of exports increases, aggregate expenditure also increases, which in turn can encourage economic growth. Exporting can also increase the amount of production which contributes to economic growth because goods are exported to various countries. This evidence is also consistent with previous research, Mariska & Lutfiah (2020) and Setiawan et al., 2020) Increased export demand will create a conducive production business climate and can also open new markets overseas for expansion of the domestic market, investment and additional foreign exchange.

Imports show a significant negative relationship with economic growth, this finding supports the studies of Fitriani (2019) and Zatira et al. (2021) but is not consistent with the findings of Hariwijaya (2020), Mustika et al. (2015), and Ismanto et al. (2019) who stated that imports have a significant positive effect on economic growth. Based on the hypothesis, it is assumed that imports show a significant negative impact on economic growth. Because import activities can strengthen the balance of payments and reduce foreign exchange abroad.

The results of this research can be used in more detail to study the influence of exports and imports on economic growth in Indonesia, considering that this research is to identify how exports and imports influence Indonesia's economic growth. The government must increase and maintain the value of exports and imports because they have the opportunity to make a significant contribution to Indonesia's economic growth.

Conclusion

Based on the results of research examining the influence of exports and imports on Indonesia's economic growth, it can be concluded that exports have a positive and insignificant effect on Indonesia's economic growth. Imports also have a positive and insignificant effect on Indonesia's economic growth. This is because increasing imports increases the production of imported goods, so that domestic productivity further reduces domestic growth. Suggestions that can be taken by studying the influence of exports and imports on Indonesia's economic growth are that as citizens of the Republic of Indonesia you must be able to understand the country's economic conditions. Reducing the use of foreign products and love for domestic products is also a multiplier for domestic economic activity that accelerates economic growth. When goods and services imported from abroad increase, this will encourage greater domestic economic activity, including production, consumption and distribution. If economic activities run well, it will accelerate Indonesia's economic growth. For future researchers, the results of this research will become a reference and benchmark in studying more deeply the influence of exports and imports on Indonesia's economic growth.

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