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ABSTRACT

The relationship between infrastructure development and economic growth is an issue that has been debated for a long time. The relationship between the two often shows significant associations and influences each other. The Indonesian government, under the leadership of President Joko Widodo, has focused development on improving infrastructure in order to achieve the vision Indonesia Maju (Onward Indonesia). However, the infrastructure sectors which significantly correlated with economic growth changed over time and show different results between regions. Therefore, this study seeks to analyze the relationship between infrastructure development and economic growth during the 2016-2021 period. The current study uses Gross Regional Domestic Product (GRDP) per capita as a proxy for economic growth. While the infrastructure used is healthcare density, school density, percentage of livable houses, percentage of households with electricity access, percentage of households with clean water access, percentage of households with proper sanitation access, and road density. The alternative model uses additional control variables in the form of Foreign Direct Investment (FDI), Human Development Index (HDI), and Population Growth values. The results reveal that, in the main and alternative models, infrastructure is significantly associated with economic growth. The health, clean water, and road sectors are significant in both models, but the results show different correlations for the rest of the sectors. Based on the finding, the government and stakeholders should continue expanding investment in infrastructure to maintain the pace of economic performance.

Keywords: Infrastructure, Economic Growth, Indonesia

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