Volume 06, Number 01, March 2022, Page 098-101
e-ISSN: 2598-120X; p-ISSN: 2598-117X

EFFECT OF EXPORTS AND IMPORTS ON EAST JAVA ECONOMIC GROWTH 2011-2020

Hidya Rinta [a)], Edy Suhartono [a*)]

[a)] *Universitas Bojonegoro, Bojonegoro, Indonesia*

[*)] *Corresponding Author: edysuhartono999@gmail.com*

***Article history:** received 06 January 2022; revised 29 January 2021; accepted 24 February 2022* *DOI: https://doi.org/10.33751/jhss.v6i1.5372*

Abstract. "The Effect of Exports and Imports on Economic Growth in East Java Province for the Period 2011 - 2020". This research is motivated by the economic growth rate which shows an increase of 5.6% in East Java Province. This figure is certainly greater when compared to the national economic growth which increased by 5.4%. Economic growth in East Java certainly gets a contribution from foreign trade activities, namely exports and imports. In addition, the author's curiosity about the conditions of exports and imports in the province of East Java and their influence on economic growth also triggered the author to compose this thesis. especially with the existence of several business conditions in the country and in the world that can have a direct or indirect influence on international trade. This study aims to examine the effect of: (1) exports on economic growth in East Java Province, (2) imports on economic growth in East Java Province, and (4) exports together with imports on economic growth in East Java Province. This research uses a quantitative approach with the type of explanatory research. Sampling using non-probability sampling technique, while the data used is secondary data obtained from the Central Statistics Agency (BPS) East Java in 2011 – 2020. The data analysis method used in this research is multiple linear regression test. The results showed that (1) exports had an influence on economic growth in East Java Province, (2) imports had no effect on economic growth in East Java Province, and (4) exports together with imports had an influence on economic growth in Java Province. East.

Keywords: economic growth; exports; imports

I. INTRODUCTION

According to Nanga **[1]**, macroeconomics is a branch of economics that studies the behavior of the economy and the level of economic activity as a whole (aggregate) which includes the factors that affect the performance of the economy or economic activity. To achieve economic development, there are three macro indicators that are used as a measure of development progress. The indicators are the growth rate (growth rate), the level of job creation (Employment) and price stability (Price Stability). In general, these three indicators can be implemented through policies made by state and local governments. These policies can be in the form of fiscal, monetary, and national and international trade policies that can support the creation of economic growth, employment and price stability **[2]**.

According to Nanga **[1]**, economic growth is an effort to increase the ability of an economy to produce goods and services. Thus, economic growth focuses on changes that are quantitative in nature and can be measured using Gross Domestic Product or per capita output income. Then according to Boediono **[3]**, economic growth is a process to increase output per capita in the long term. Where the process focuses on three aspects, such as process, output per capita and long term. Based on the description above, it can be concluded that economic growth can be viewed from the value of national income by calculating the total aggregate sum (Aggregate Demand).

Adam Smith's Theory of Absolute Advantage. The theory of absolute advantage is a theory that is based on quantities (variables) in real terms, not monetary, so it is often considered a pure theory of international trade. This purity shows the focus of attention on real variables, such as the value of an item measured by the amount of labor used to produce an item. Where the increasing number of workers gives a high yield on the value of the item (labor theory of value). **[4]** Meanwhile, according to Adam Smith, the two countries will benefit from specialization after that trade. The existence of an exchange will have an impact on the benefits of both parties. Where both parties will benefit if the exchange rate that occurs lies between the exchange rates of each country before the exchange occurs **[4]**.

In his critique, Adam Smith said related to the absolute advantage theory that, every country will benefit from international trade (gain from trade) because it specializes in production and exports goods if the country has an absolute advantage, and runs import goods if the country does not have absolute disadvantage **[5]**. Specifically, the theory of absolute disadvantage is based on the following assumptions; labor is only a factor of production, there is equality in the quality of goods produced by the two countries, the exchange of products is bartered and ignores transportation costs. International trade will occur and be profitable if the two countries have different absolute advantages **[4]**.

David Ricardo.'s Comparative Cost Theory. According to Ricardo, international trade is about the value or value in which the value of an item depends on the number of workers employed to produce the item. Trade

Volume 06, Number 01, March 2022, Page 098-101
e-ISSN: 2598-120X; p-ISSN: 2598-117X

occurs when each country has the smallest comparative cost. Basically, the theory of comparative advantage and comparative cost is almost the same. Comparative advantage is a certain number of workers from each country whose results are different, while comparative cost is a certain number of results, then the time required varies from one country to another **[4]**.

There is an assumption that every country can benefit from international trade whether or not that country has its own absolute advantage. David Ricardo's theory has become popular since the early 19th century with the principle of comparative advantage which states that a country or society, will get results from international trade activities through exporting goods or services which are its greatest comparative advantage and importing goods or services which are not its comparative advantage with other countries. In other words, there is no need for absolutes. Although some countries that are more productive can produce goods or services, while others are very unproductive, they can benefit from trade between them or through third countries as long as their superiority in producing these different goods or services is only a difference in the way they are produced **[4]**.

II. RESEARCH METHODS

This study uses several variable indicators that can describe the influence of exports and imports on economic growth that occurs in East Java Province based on the general formula used to examine economic growth; A. The ratio of exports and imports is a comparison between the total value of exports and imports of goods and services within a certain period of time expressed in percentages. The formula used to find the ratio of exports and imports is as follows:

Gross Regional Domestic Product (GDP) is one of the indicators used as the best measure of a country's economic performance. The rate of economic growth of a country can be measured using the growth rate of Gross Regional Domestic Product (GDP) at constant prices. GRDP is the total added value that arises as a result of various economic activities in a region and the time period associated with the region's ability to manage its resources.

Due to this research using empirical research, the data on the variables were obtained from the official website of the Central Statistics Agency of East Java for the period 2011 to 2020. Then this research began in September 2021 until it was finished. Then according to Suryani, the population is the whole of the object of research which consists of subjects who have the qualities and characteristics that have been determined by the researcher to be studied and conclusions drawn. While the sample is part of the population. Based on this explanation, the researchers determined that the population of this study was the overall data on exports, imports, and economic growth of the Central Statistics Agency for East Java for the 2011-2020 period.

According to Sugiyono **[6]**, in conducting research, data is needed for all individuals in one population, but if the data for all individuals in one population is too much and takes a long time, the researcher can take several samples or samples from the entire individual data **[6][7]**. Based on this explanation, the researchers determined the overall sample of export, import, and economic growth public data owned by the Central Bureau of Statistics of East Java for the 2011-2020 period. Sampling technique is a method used in determining sampling in meeting the data needs that are embraced by researchers. In this study, the sampling technique used is saturated sampling. According to Sugiyono **[6][8]**, saturated sampling is a sampling technique when all members of the population are used as samples **[6]**.

III. RESULTS AND DISCUSSION

The Effect of Total Exports on Economic Growth

Export is the sale of goods from one country to another country that cannot produce these goods. Exports are very important because these activities can bring in foreign exchange. East Java's foreign exports in 2017 were recorded at 19,595.46 million USD or grew by 3.39%. This achievement was lower than the previous year which grew by 10.71%. Foreign exports of East Java Province are dominated by non-oil and gas commodities. There are three main commodities in East Java, namely jewelry or gems which contributed 9.46% to the total non-oil and gas exports, which were exported to Japan. Timber and wood products, which contributed 8.14% to the total non-oil and gas exports, were exported to Japan. As well as animal and vegetable fats and oils which contributed 8.13% of East Java's total non-oil and gas exports exported to China.

The results of this study indicate that there is a positive relationship between the number of exports and economic growth in East Java. This means that the greater the number of exports, the greater the economic growth in East Java, and vice versa, the smaller the number of exports, the economic growth in East Java will decrease. So it can be concluded that there is a significant positive effect between the number of exports on economic growth in East Java. Exports are very influential on the economic growth of a country, as explained in the Hecksher-Ohlin theory in Pridayanti **[9]** that a country will export its products whose production uses cheap and abundant production factors intensively. This will benefit the exporting country because it will increase national income and the process of economic growth.

Rahmadi **[10]**, states that the important role of exports in Indonesia's economic growth is because exports are able to bring in foreign exchange for Indonesia. The role of the government to increase the role of exports in bringing in foreign exchange is that the government must cooperate with exporters. The government plays a role in encouraging income by creating an export sector that is able to compete with export products from other countries, while exporters have a role in finding and increasing markets for export products. The government has a very big role in making

Volume 06, Number 01, March 2022, Page 098-101
e-ISSN: 2598-120X; p-ISSN: 2598-117X

policies and regulations to support export activities, namely reducing tariff rates for core raw materials and other components that will be used to produce export products.

This is similar to the results of a study conducted by Saputra **[11]** entitled "The Effect of Foreign Debt, Exports, and Imports on Indonesia's Economic Growth for the 1996-2013 Period". With the aim of knowing the effect of Indonesia's foreign debt, exports, and imports simultaneously or partially on Indonesia's economic growth for the period 1996-2013 using secondary data taken from the Central Statistics Agency. The results of the study show that simultaneously foreign debt, exports, and imports have a significant effect on Indonesia's economic growth for the period 1996-2013. Partially, foreign debt has a negative and significant effect, imports have a negative but not significant effect, and exports have a positive and significant effect on Indonesia's economic growth for the period 1996-2013. The differences with this research are in the research variables and research objects. External Debt variables that are not found in this study and economic growth in Indonesia which in this study uses the object of East Java's economic growth.

A similar study with a different title, namely "The Influence of Exports on Indonesia's Economic Growth" written by Asbiantari **[12]**, with research results showing that exports in the industrial sector have a significant influence on economic growth both in the short term and in the long term.

A similar study was also conducted by Pridayanti **[9]** with the title "The Effect of Exports, Imports, and Exchange Rates on Economic Growth in Indonesia for the Period 2002-2012". The research data was obtained from secondary data, namely from the financial data of the Central Statistics Agency. The results show that exports have a positive and significant effect on economic growth in Indonesia. Imports have a negative and significant impact on economic growth in Indonesia. Meanwhile, the exchange rate has a negative and significant effect on economic growth in Indonesia.

Ginting **[13]** also conducted a study entitled "Analysis of the Effect of Exports on Indonesia's Economic Growth". The results of the study indicate that to encourage Indonesia's economic growth, it is necessary to increase Indonesia's export performance. Improving Indonesia's export performance can be done in various ways, one of which is by improving the export administration system, increasing research and development of Indonesian products, improving infrastructure facilities and infrastructure, exchange rate stability and expanding non-traditional markets, including improving the structure of commodity exports.

In addition to several similar studies that support the results of this study, there are contradictory research results, namely the research conducted by Anggraeni **[14]**, with the research title "The Effect of Exports, Imports and Investments on Economic Growth in the Riau Islands in 2009–2016". The results of this study indicate that exports have no effect on economic growth, imports have an influence on economic growth, investment has an influence on economic growth, while exports, imports and investment together have an influence on economic growth.

The Effect of Total Imports on Economic Growth

Import (IMP) is the activity of entering goods from abroad into the country. East Java's foreign imports in 2017 were recorded at 22,115.57 million USD or grew by 18.94%. This achievement is higher than the previous year which decreased by - 3.57%. The growth in the number of imports was still dominated by non-oil and gas commodities, which amounted to 17,851.23 million USD, thus contributing 80.72% of total imports in 2017. Meanwhile, the number of oil and gas commodities still contributed 19.28%, which was 4,264.35 USD.

According to BPS data in 2017, there are three imported commodities that dominate imports in East Java, namely mineral fuel, mechanical machinery/equipment, and iron and steel. Mineral fuels contributed 19.31% of the total imports. Mechanical equipment contributed 8.70% of the total imports. Meanwhile, iron and steel accounted for 7.14% of the total imports.

The results of this study indicate that there is a negative relationship between the number of imports and economic growth in East Java. This means that the larger the number of imports, the smaller the economic growth in East Java, and vice versa the smaller the number of imports, the economic growth in East Java will increase. So it can be concluded that there is a significant negative effect between the number of imports on economic growth in East Java.

The results of this study are also supported by research conducted by Pridayanti **[9]** with the research title "The Effect of Exports, Imports, and Exchange Rates on Economic Growth in Indonesia for the Period 2002-2012". In this study, the results showed that exports had a positive and significant effect on economic growth in Indonesia. Meanwhile, imports have a negative and significant effect on economic growth in Indonesia. The difference between Ayunia's research and this research is in the variables and research objects, namely the exchange rate which is not found in this study and economic growth in Indonesia, while in this study the object of East Java's economic growth is used.

A similar study with the title "Analysis of the Effect of International Trade and Foreign Debt on Indonesia's Gross Domestic Product (Period 1990-2010)" was conducted by Fatmawati **[15]**. The results of the study indicate that exports in the short and long term have a positive and significant impact on Indonesia's GDP. Imports in the short and long term have a negative and significant impact on Indonesia's GDP. In the short term, external debt has a negative and insignificant effect on Indonesia's GDP, but in the long term it has a positive and significant impact on Indonesia's GDP. Export is a variable that has a dominant influence on Indonesia's GDP.

In addition to several studies that support the results of this study, there is research that is contradictory, namely research conducted by Anggraeni **[14]**, with the research title "The Effect of Exports, Imports and Investments on Economic Growth in the Riau Islands in 2009-2016". The results of this study indicate that exports have no effect on economic growth, imports have an influence on economic growth, investment has an influence on economic growth, while exports, imports and investment together have an influence on economic growth.

The Effect of Total Exports and Imports on Economic Growth

According to the neo-classical view, it reveals how important foreign trade is in the economic development of a country, so that it is considered as the engine of a country's economic growth. Meanwhile, according to Jhingan, if a country specializes in the production of certain goods for foreign trade, it can export the commodity it produces cheaper to exchange for what other countries produce at a lower cost. From foreign trade, the country gains while the national income increases, so this will increase the amount of output and the rate of economic growth. with a higher level of output, the vicious circle of poverty can be broken and economic development can be increased. Based on the results obtained from the f (simultaneous) test, it is concluded that exports and imports together have a significant effect on economic growth. It is the same with the research conducted by Anggraeni **[14]**, with the research title "The influence of exports, imports, and investment on economic growth in the Riau Islands". The results of this study indicate that exports have no significant effect on economic growth, imports have a significant but insignificant effect on economic growth, investment has a significant effect on economic growth, while exports, imports and investment together have a significant effect on growth. economy.

IV. CONCLUSION

The number of exports has a positive and significant effect on economic growth in East Java Province. This shows that if the number of exports increases, the number of exports will increase the economic growth of East Java. Vice versa, any decrease in the number of exports will reduce economic growth in East Java. While the significance means that the number of exports has a major influence on economic growth in East Java Province. This can be seen from the economic condition of East Java which has superior export commodities, such as gems, wood and vegetable and animal oils. The number of imports has a negative and significant effect on economic growth in East Java Province. This shows that if the number of imports decreases, it will increase economic growth. Vice versa, the more the number of imports, the economic growth of East Java Province will decline. While the significance means that the number of exports has a major influence on economic growth in East Java Province. Thus, East Java's import dependence will have an unfavorable effect on East Java's economic growth. If the test is carried out simultaneously on the two independent variables, namely the number of exports and imports on the dependent variable, namely economic growth, then the results show that the two variables simultaneously have a positive and significant influence on the economic growth of East Java Province. Therefore, the two variables show that they simultaneously have a strong influence on economic growth in East Java Province.

REFERENCES

[1] Nanga, M. (2005). *Makroekonomi, Teori, Masalah dan Kebijakan*. Raja Grafindo Persada.

[2] N. Gregory Mankiw. (2006). Principles Of Economics Pengantar Ekonomi Makro Edisi 3. Salemba Empat.

[3] Boediono. (1981). *Teori Pertumbuhan Ekonomi*. BPFE.

[4] Nopirin. (1995). Ekonomi Internasional Edisi ke 2. BPFE.

[5] Sattar. (2017). Ekonomi internasional Buku Ajar. Deepublish.

[6] Sugiyono. (2016). Metode Penelitian Kuantitatif, Kualitatif dan R&D. Alfabeta.

[7] S. Setyaningsih and Y. Suchyadi, "Implementation Of Principal Academic Supervision To Improve Teacher Performance In North Bogor," *JHSS (Journal Humanit. Soc. Stud.*, vol. 05, no. 02, pp. 179–183, 2021.

[8] S. Hardhienata, Y. Suchyadi, and D. Wulandari, "Strengthening Technological Literacy In Junior High School Teachers In The Industrial Revolution Era 4 . 0," *JHSS (Journal Humanit. Soc. Stud.*, vol. 05, no. 03, pp. 330–335, 2021.

[9] Syairozi, M. I., & Susanti, I. (2018). Analisis Jumlah Pengangguran dan Ketenagakerjaan terhadap Keberadaan Usaha Mikro Kecil dan Menengah di Kabupaten Pasuruan. *Jurnal Samudra Ekonomi dan Bisnis*, *9*(2), 198-208.

[10] Wijaya, K., & Syairozi, M. I. (2020). Analisis perpindahan tenaga kerja informal Kabupaten Pasuruan. *Jurnal Paradigma Ekonomika*, *15*(2), 173-182.

[11] Saputra I, K. (2016). Pengaruh Utang Luar Negeri, Ekspor dan Impor Terhadap Pertumbuhan Ekonomi Indonesia Periode 1996-2003. *JEkon Pembang*.

[12] Asbiantari, Resmi Dara, dkk. (2016). Pengaruh Ekspor Terhadap Pertumbuhan Ekonomi Indonesia. *Jurnal Ekonomi Dan Kebijakan Pembangunan*, *5*.

[13] Jimmy Benny. (2013). Ekspor dan Impor Pengaruhnya Terhadap Posisi Cadangan Devisa Di Indonesia. *Jurnal, Riset Ekonomi, Manajemen, Bisnis Dan Akutansi*.

[14] Astuti, I. P. dan F. J. A. (2018). pengaruh ekspor dan impor terhadap pertumbuhan ekonomi di indonesia. *Jurnal Ekonomi & Studi Pembangunan*, *19 No.1*.

[15] Hodijah, S. dan G. P. A. (2021). Analisis Pengaruh Ekspor Dan Impor Terhadap Pertumbuhan Ekonomi Di Indonesia. *Jurnal Manajemen Terapan Dan Keuangan (Mankeu)*, *10 No.1*.