

ABSTRACT

This study aims to analyze the causal relationship (1) Analyzing the causal relationship between the Information and Communication Technology (ICT) Development Index on Economic Growth in Indonesia in 2012 – 2019. (2) Analyzing the causal relationship between the Information and Communication Technology (ICT) Development Index on Economic Development in Indonesia in 2012 – 2019 (3) Analyzing the causal relationship between Economic Growth and Economic Development in Indonesia in 2012-2019. Data used is secondary data in the form of panel data for 2012-2019 with the following techniques: data collection based on annual panel data from 33 provinces in Indonesia. Data analysis used are descriptive and inductive analysis. In inductive analysis with using the Granger Causality approach, by carrying out several test rules namely: (1) Stationarity Test; (2) Cointegration Test; (3) Determination of Optimal Lag; (4) Granger Causality Test; (5) Impulse Response function; (6) Variance Decomposition.

The results of this study show that: (1) That Economic Growth does not affect Economic Development while Economic Development affects Economic Growth, or in other words Economic Growth does not have a causal relationship with Economic Development in Indonesia but economic development has a causal relationship to economic growth. (2) Whereas Information and Communication Technology affects Economic Development as well as Economic Development affects Information and Communication Technology, or in other words Information and Communication Technology has a causal relationship with Economic Development in Indonesia, both one-way and two-way. (3) That Information and Communication Technology does not affect Economic Growth as well as Economic Growth does not affect Information and Communication Technology, or in other words Information and Communication Technology does not have a causal relationship with Economic Growth in Indonesia, either one-way or two-way.

Based on the research and discussion conducted, it is suggested that the government should start planning for equitable development as shown in the data table above, the high number of IDI is only in big cities in Indonesia, so the government needs to increase equitable development so that Development Index Indonesian ICT is spread evenly. And create programs to increase the Human Development Index, such as starting to build infrastructure for the Education sector to support the improvement of Human Resources in Indonesia.

Keywords: Economic Growth, Economic Development, Information and Communication Technology, Granger Causality