ABSTRACT

The COVID-19 pandemic in 2020 caused Indonesia's economy to contract by 2.07 percent. Although national economic growth recovered and stabilized at around 4–5 percent during 2021–2024, the post-pandemic decline in poverty remained slow, persistent, and uneven across provinces. This study aims to examine the effects of poverty, the Human Development Index (HDI), formal employment, Foreign Direct Investment (FDI), and Domestic Investment (DI) on regional economic growth across 32 provinces in Indonesia.

This study employs a quantitative approach using a balanced panel dataset covering 32 Indonesian provinces over the period 2020–2024, resulting in 160 observations. The data were obtained from Statistics Indonesia (BPS). The empirical model is estimated using the Two-Step System Generalized Method of Moments (System GMM) dynamic panel approach to address endogeneity issues and eliminate the dynamic panel bias (Nickell bias).

The results indicate that the lagged economic growth variable, the Human Development Index, and Foreign Direct Investment have a positive and statistically significant effect on regional economic growth. Poverty and Domestic Investment have a significant negative effect on regional economic growth, while formal employment has no statistically significant effect. These findings support the Extended Solow Model, highlighting the importance of human capital accumulation and physical capital in promoting regional economic growth in Indonesia.

Keywords: *economic growth, poverty, Human Development Index, Foreign Direct Investment, Domestic Investment, System GMM.*