Poverty, Unemployment, and HDI Impact on ASEAN Economic Growth: An Islamic Approach

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Abstract

This study aims to investigate the relationship between the Human Development Index (HDI), the Poverty Rate, and the Unemployment Rate in five ASEAN countries between 2018 and 2022 from an Islamic economic perspective. This research is quantitative in nature and uses panel data, which is a combination of cross-sectional and time series data. The cross-sectional data in this study covers five ASEAN countries, while the time series data spans the last five years, from 2018 to 2022. Panel regression analysis was conducted using the Random Effect Model, which is the best model, with the assistance of the E-views 12 program. The study's population includes all ASEAN countries. Purposive sampling technique was used in this study, with the selection criteria being the five countries with the highest per capita income in 2022. The study's results indicate that the variables of unemployment, poverty, and HDI simultaneously affect economic growth. Poverty has a negative and significant impact on economic growth. Unemployment has a negative but not significant impact on economic growth. Additionally, HDI has a positive and significant impact on economic growth. From an Islamic perspective, economic growth is seen as a tool for enhancing both material and spiritual welfare, aligning with Sharia principles and emphasizing justice and holistic development

Introduction

Economic development goals vary by country, including those in ASEAN. For developing countries, key objectives are to address economic issues such as poverty, unemployment, inflation, and to achieve high economic growth. Development aims to accelerate economic growth, maintain balance, and ensure fair income distribution. It encompasses significant changes in economic growth, social structure, and poverty alleviation. Economic growth is a key indicator of development success, leading to increased production and productivity(Eliana & Endang, 2023).

Economic growth impacts and is impacted by interconnected economies, as seen within ASEAN. Growth in one ASEAN country can spur development in others, while economic downturns can negatively affect neighboring nations. Thus, economic interdependence means that advancements in one country can help others, and conversely,

economic declines can have widespread repercussions(Madania & Mubarak, 2023). This interconnectedness underscores the importance of economic growth as a success indicator for countries.

ASEAN, established on August 8, 1967, originally by Indonesia, Malaysia, Singapore, and Thailand, now includes 11 member countries. Its goals are to promote peace, security, economic, social, and cultural cooperation, and improve welfare. Despite rapid development, poverty remains a persistent issue, affecting efforts to meet basic needs such as food, shelter, and education(Wibowo & Ridha, 2021). Poverty continues to be a pressing issue despite various development programs. It affects not only developing but also developed countries, with persistent challenges in addressing and reducing poverty rates. This issue is central to discussions on economic development and social welfare, highlighting the need for effective poverty alleviation strategies(Prabowo et al., 2023).

Poverty results from an inability to meet basic needs, influenced by factors like income, education, and unemployment. Limited education and job opportunities exacerbate poverty, making it a critical issue in both developing and developed countries, including ASEAN nations. Unemployment, in particular, remains a severe problem, impacting economic stability and individual welfare(Rodliyah, 2023).

Unemployment is a significant concern, especially in developing countries with large populations and limited job opportunities. The gap between workforce growth and job availability often leads to high unemployment rates, highlighting the need for effective economic and employment policies. This issue is critical in assessing the success of economic development strategies(Madania & Mubarak, 2023).

Unemployment affects community welfare and long-term development, with adverse economic and social impacts. Addressing unemployment is crucial for improving welfare and ensuring economic stability. Efforts to reduce unemployment must be continuous and effective to enhance overall societal well-being(Wibowo & Ridha, 2021).

The Human Development Index (HDI) measures welfare through life expectancy, education, and standard of living. As technology and development progress, disparities in income, health, and education can exacerbate poverty. This research aims to explore how poverty, unemployment, and HDI impact economic growth in ASEAN countries from an Islamic economic perspective, highlighting the interconnectedness of these factors.

Literature Review
Economic Growth

Generally speaking, economic growth is the expansion of an economy's capacity to generate commodities and services. The degree to which a nation's or region's economic activities produce more revenue over a given time span is known as economic growth. In essence, economic activity is the process of utilizing production factors to create output, which creates a revenue stream for the community's owned production factors. It is anticipated that as the economy grows, the community's income as owners of the production components will rise as well (Amri et al., 2023).

A country is said to experience economic growth if there is a continuous improvement in its economic conditions. Economic growth refers to the increase in production per person over a long period. There are three important things to consider in economic growth: the process, per capita output, and the long-term period. This shows that economic growth focuses on the process, so it cannot be seen as a snapshot of economic conditions at a particular point in time. Economic growth is crucial because if economic growth declines, it means that the production or output of a country decreases. Economic growth is essential

for a country because it is one of the indicators that categorize a country as developing or developed(Ahmad et al., 2019).

Poverty

Poverty is a condition where a person is unable to meet basic needs in daily life. This condition occurs due to low income generated to meet living needs such as clothing, shelter, and food. The inability to meet these standard needs adversely affects other standards of living, such as health and education. Mulyono states that poverty is a condition that generally describes a household, community, or individual that is in a state of deprivation, especially in fulfilling the most basic needs (Wibowo & Ridha, 2021). As a result, the person experiences various limitations in social, economic, political, and cultural roles that need to be performed. Such limitations can occur due to the individual's or household's internal failure to adapt to the environment or respond to changes. Conversely, it can also occur because the environment creates conditions that cause someone to become poor over time(Rodliyah, 2023).

Unemployment

As per the Central Statistics Agency (BPS), individuals of working age who do not have a job, are not looking for one, are getting ready to launch a business, or currently have a job but have not started working are considered unemployed. The working age range is 16–64 years old, depending on age groups. But not everyone between the ages of 16 and 64 is regarded as being in the work force. The age group of 15 to 64 comprises people who are either employed or actively looking for job (Wibowo & Ridha, 2021). Thus, if a 20-year-old is not working because they are pursuing education, they are not considered unemployed because their time that should be spent working is instead used for education (Aiu Viollani et al., 2022).

According to Sukirno in research conducted by Alghofari, unemployment is a situation where someone within the labor force wants to get a job but cannot obtain one. Unemployment can occur due to an imbalance in the labor market . This indicates that the number of workers offered exceeds the number of workers demanded. Unemployment generally occurs because the number of job seekers does not match the number of available jobs. Unemployment often becomes a problem in the economy because it reduces productivity and public income, potentially leading to poverty and other social issues(Nugroho et al., 2023).

Human Development Index

The Human Development Index (HDI) was introduced by the United Nations Development Programme (UNDP) and is regularly published in the Human Development Report (HDR) in its annual report. According to the UNDP, human development is an effort to expand the choices available to people in a country. The Human Development Index is a measure used to assess the achievement of human development through a quality-of-life approach. Three indicators are used to measure the Human Development Index: life expectancy, average years of schooling, and literacy rate for individuals aged 15 and above (Madania & Mubarak, 2023).

According to the Central Statistics Agency (BPS), the Human Development Index explains how people can access the results of development, such as income, health services, education, and other development outcomes. The indicators used to calculate the Human Development Index are a combination of the literacy rate and average years of schooling. Based on these views, it can be concluded that the Human Development Index is used to measure the success of human development in a country using several indicators according to each country. In other words, the higher/better each component that makes up the

Human Development Index, the greater the influence on the well-being and better life of the society(Wibowo & Ridha, 2021).

Hypotheses :
(H1): Poverty has a significant negative impact on economic growth in five ASEAN countries.
(H2): Unemployment does not have a significant impact on economic growth in five ASEAN countries.
(H3): The Human Development Index (HDI) has a positive and significant impact on economic growth in five ASEAN countries.
(H4): Poverty, unemployment, and HDI simultaneously have a significant impact on economic growth in five ASEAN countries.

Research Methods

This research is a quantitative study that uses numerical data from various sources, including the World Bank, ASEAN Statistic, and Asean Development Bank, covering the period of 2018-2022. The data collected includes poverty rates, unemployment rates, human development indices, and economic growth rates from 5 ASEAN countries, namely Singapore, Brunei Darussalam, Malaysia, Thailand, and Indonesia. The research employs a panel data method, combining time series data from 2018-2022 with cross-sectional data from the 5 selected countries(Harold et al., 2023).

The population of this study consists of all reports on poverty, unemployment, human development indices, and economic growth rates from all ASEAN countries, obtained from annual reports published by the World Bank, Asian Development Bank, and Asian Statistical Yearbook from 2018-2022. The sample consists of 5 ASEAN countries with the highest per capita income in 2022, selected using purposive sampling. The data collection technique used is library research, where data is obtained from secondary sources, including official websites, journals, e-books, and other relevant literature. The data will be analyzed using a suitable method to achieve the research objectives. Using a multiple linear regression data analysis model for panel data to determine the influence of the independent variable on the dependent variable partially and simultaneously(Lubis et al., 2022).

$$\text{Ln } Y_{it} = \beta_0 + \beta_1 \text{Ln} X_1 it + \beta_2 \text{Ln} X_2 it + \beta_3 \text{Ln} X_3 it + \varepsilon_{it}$$

Keterangan :
   Y : Economic Growth
   β_0 : Constant
   β_1, β_2, β_3 : Regression coefficients for each independent variable
   X1 : Poverty
   X2 : Unemployment
   X3 : Human Development Index
   ε : Error Term Coefficient

Results and Discussion

Table 1. Regression Estimation Results for the Random Effect Model of Panel Data

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-21.70113	4.257350	-5.097333	0.0000
LOG(X1)	-0.520939	0.192746	-2.702716	0.0133
LOG(X2)	-0.036048	0.048803	-0.738629	0.4683
LOG(X3)	7.354988	0.932528	7.887150	0.0000
Weighted Statistics				
R-squared	0.920507			
Adjusted R-squared	0.909150			
Prob(F-statistic)	0.000000			

Source: E-Views 12 data processed in 2024

Based on the random effect model table, the results of calculating poverty, unemployment and the human development index on economic growth are found as follows:

$$Y = \alpha + \beta_1 LnX_1 it + \beta_2 LnX_2 it + \beta_3 LnX_3 it + \varepsilon_{it}$$

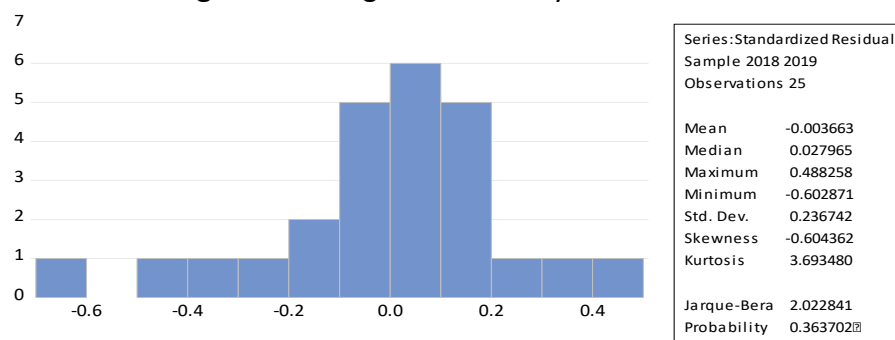$$Y = -21.70113 - 0.520939(X1) - 0.036048(X2) + 7.354988(X3) + \varepsilon_{it}$$

Classical Assumption Tests

1. Normality Test

The normality test is used to determine whether the regression model is normally distributed. A good and appropriate regression model for research is one that is normally distributed. The test used is the Jarque-Bera test. The evaluation criteria for the Jarque-Bera statistic are:

- If the Jarque-Bera probability > α = 5%, the residuals are normally distributed.
- If the Jarque-Bera probability < α = 5%, the residuals are not normally distributed.

Figure 1. Histogram Normality Test

Series: Standardized Residuals	
Sample 2018 2019	
Observations 25	
Mean	-0.003663
Median	0.027965
Maximum	0.488258
Minimum	-0.602871
Std. Dev.	0.236742
Skewness	-0.604362
Kurtosis	3.693480
Jarque-Bera	2.022841
Probability	0.363702

Source: E-Views 12 data processed in 2024

From the above figure, the Jarque-Bera value is 2.022841. Based on the evaluation criteria of Jarque-Bera, with a probability value of 0.363702 > α = 5% or 0.05, it can be concluded that the residuals are normally distributed.

1. Multicollinearity Test Results

The multicollinearity test is conducted to determine whether there is a correlation among the independent variables in the regression model. The condition for multicollinearity is the presence of a relatively high simple correlation among one or more independent variables, specifically ≥ 0.9. If the correlation coefficient is < 0.9, it indicates no multicollinearity. The results of the multicollinearity test using simple correlation are presented below:

Table 2. Multicollinearity Test Results

	LOG(X1)	LOG(X2)	LOG(X3)
LOG(X1)	1.000000	0.895339	-0.840929
LOG(X2)	0.895339	1.000000	-0.735469
LOG(X3)	-0.840929	-0.735469	1.000000

Source: E-Views 12 data processed in 2024

The results of the multicollinearity test above show that the correlation values among the variables X1, X2, and X3 are below 0.9. Thus, it can be concluded that there is no multicollinearity among the independent variables.

2. Heteroskedasticity Test Results

The purpose of the heteroskedasticity test is to ascertain whether the residuals in the regression model exhibit variance inequality between observations. The term "homoscedasticity" refers to the residuals' variance remaining constant between observations. It is referred to as heteroskedasticity if it differs.

Table 3. Heteroskedasticity Test Results

F-statistic	0.095468	Prob. F(3,21)	0.9617
Obs*R-squared	0.336369	Prob. Chi-Square(3)	0.9530
Scaled explained SS	0.279015	Prob. Chi-Square(3)	0.9639

Source: E-Views 12 data processed in 2024

Based on the heteroskedasticity test using the Glejser test method, the probability value of Obs*R-squared is 0.9530 (> 0.05). Thus, it can be concluded that there is no heteroskedasticity in the data, meaning the assumption of homoscedasticity is met

Hypothesis Testing

A. Partial Test Results (t-test)

Based on the partial t-test conducted on the independent variables (poverty, unemployment, and Human Development Index), the results are as follows:

1. Poverty's Influence on Economic Growth:
   The t-Statistic for X1 (poverty) is -2.702716 with a probability of 0.0133. Since the probability is 0.0133 < 0.05, there is a significant negative influence of poverty on economic growth in ASEAN countries from 2018-2022.
2. Unemployment's Influence on Economic Growth:
   The t-Statistic for X2 (unemployment) is -0.738629 with a probability of 0.4683. Since the probability is 0.4683 > 0.05, there is no significant influence of unemployment on economic growth in ASEAN countries from 2018-2022.
3. Human Development Index's Influence on Economic Growth:
   The t-Statistic for X3 (Human Development Index) is 7.887150 with a probability of 0.0000. Since the probability is 0.0000 < 0.05, there is a significant positive influence of the Human Development Index on economic growth in ASEAN countries from 2018-2022.

B. Simultaneous Test Results (F-test)

The combined influence of poverty, unemployment, and the Human Development Index significantly affects economic growth in five ASEAN countries from 2018-2022. This is evidenced by the F-statistic significance test result of 0.000000, meaning 0.000000 < 0.05 (α

= 5%). Therefore, the alternative hypothesis (Ha) is accepted. This research result aligns with the hypothesis that poverty, unemployment, and the Human Development Index simultaneously have a significant influence on economic growth.

C. Coefficient of Determination (R^2)

The regression results of the Random Effect Model panel data show that the Adjusted R-Square (R^2) value is 0.909150. This indicates that the percentage contribution of the independent variables to the dependent variable is 90.91%. In other words, the independent variables used in the model can explain 90.91% of the variation in the dependent variable, while the remaining 9.09% is influenced by other factors outside the regression model.

Results and Discussion

Influence of Poverty on Economic Growth in 5 ASEAN Countries (2018-2022)

The study shows that poverty negatively affects economic growth. The regression coefficient for poverty is -0.520939, meaning a 1% increase in poverty leads to a 52% decrease in economic growth. With a probability value of 0.0133 (less than 0.05), the effect is significant. This supports the hypothesis that poverty has a significant negative impact on economic growth in ASEAN countries during 2018-2022. The results align with Kuncoro's theory, which links higher poverty with lower economic growth. Effective poverty reduction requires government efforts to boost economic growth and improve human capital, such as education and productivity.

Influence of Unemployment on Economic Growth in 5 ASEAN Countries (2018-2022)

The study finds that unemployment has a negative but insignificant effect on economic growth. The coefficient for unemployment is -0.036048, meaning a 1% increase in unemployment results in a 36% decrease in growth, but with a probability value of 0.4683 (greater than 0.05), this effect is not significant. Thus, hypothesis H2 is rejected. This finding is consistent with Okun's law, which states that higher unemployment generally leads to lower economic growth. However, unemployment's impact varies with economic conditions, structural changes, and seasonal factors. Not all unemployment necessarily impacts economic growth significantly, as some unemployed individuals may still have sufficient income from other sources.

The Impact of Human Development Index (HDI) on Economic Growth in 5 ASEAN Countries (2018-2022)

The research shows that HDI has a positive and significant impact on economic growth in the 5 ASEAN countries. The regression coefficient for HDI is 7.354988, meaning that a 1% increase in HDI will lead to a 7.35% increase in economic growth. With a probability value of 0.0000 (less than 0.05), hypothesis H3 is accepted, indicating that an increase in HDI contributes to economic growth. These findings align with the theories of Constantini and Salcatore, and Ranis, which explain that improving human resources through education and health can enhance productivity and economic growth. An increase in HDI reflects improvements in health, education, and living standards, which positively impact productivity and economic growth.

The Impact of Poverty, Unemployment, and HDI on Economic Growth in 5 ASEAN Countries (2018-2022)

The F-test results show a probability value of 0.000000 (less than 0.05), indicating that the three variables (Poverty, Unemployment, and HDI) simultaneously have a significant effect on economic growth. The Adjusted R-Square coefficient is 0.909150, meaning that 90.91% of the variation in economic growth is explained by these three variables. Among the three variables, HDI has the most dominant impact with a coefficient of 7.354988, followed

by poverty (-0.520939) and unemployment (-0.036048). It is recommended that the government pay attention to all three variables together to enhance economic growth, as they affect the productivity and economic potential of the country.

Economic Growth and Human Welfare in Islamic Economics

From the Islamic economic perspective, economic growth is not merely an increase in national income or production but a component of comprehensive economic development aimed at enhancing human welfare. In this view, growth is valid only if it produces benefits without negative repercussions. This broader interpretation of welfare, or falah, includes both material and spiritual dimensions. The objective is to ensure that economic activities not only boost wealth but also contribute to the overall well-being of individuals and communities, aligning with both worldly and spiritual goals. Thus, economic growth is evaluated not just on its quantitative achievements but also on its qualitative impact on human development and societal harmony(Aiu Viollani et al., 2022; Badan Wakaf Indonesia, 2022).

Balancing Worldly and Spiritual Goals

In Islamic economics, economic growth must achieve a balance between material success and spiritual fulfillment. This approach underscores the importance of aligning economic activities with ethical and moral values as outlined in Sharia principles. Growth should enhance not only economic conditions but also religious, social, and community life. This holistic view ensures that progress in economic terms is accompanied by improvements in spiritual and social dimensions, promoting a balanced life that fosters justice, equity, and communal harmony. The ultimate aim is to create an environment where economic activities contribute positively to both the material and spiritual aspects of life (Lubis et al., 2022).

Sharia Compliance and Justice in Economic Growth

According to Islamic teachings, economic growth must be conducted in accordance with Sharia principles, which emphasize justice and humanity in all economic transactions. As highlighted in QS. Hud verse 61, justice and ethical considerations are crucial in economic activities. Therefore, economic growth should support genuine welfare by being lawful and prioritizing broader benefits beyond individual or corporate gains. This means ensuring that economic progress contributes to social justice, reduces inequality, and upholds ethical standards. By adhering to these principles, economic growth becomes a tool for achieving comprehensive welfare, where the benefits are distributed equitably and contribute to the greater good of society(Ahmad et al., 2019; Nugroho et al., 2024).

Conclusion

Based on the data analysis and hypothesis testing conducted, the following conclusions can be drawn:

1. Poverty has a negative and significant impact on economic growth in 5 ASEAN countries from 2018 to 2022. This means that a 1% increase in poverty leads to a 52% decrease in economic growth. Conversely, a decrease in poverty results in an increase in economic growth.
2. Unemployment has a negative but not significant impact on economic growth in 5 ASEAN countries from 2018 to 2022. This implies that a 1% increase in unemployment results in a 36% decrease in economic growth. Conversely, a decrease in unemployment leads to an increase in economic growth.
3. Human Development Index (HDI) has a positive and significant impact on economic growth in 5 ASEAN countries from 2018 to 2022. A 1% increase in HDI leads to a 7.35%

increase in economic growth. Conversely, a decrease in HDI results in a decrease in economic growth.

4. The combined effect of Poverty, Unemployment, and HDI is significant on economic growth in 5 ASEAN countries from 2018 to 2022. The F-test shows a significance value of 0.00000 (< 0.05), and the Adjusted R-squared value is 0.909150, indicating that these variables explain 90.91% of the variation in economic growth, with the remaining 9.09% influenced by other factors outside the model.

5. From an Islamic economic perspective, economic growth is defined as the continuous development of productive factors in a way that contributes to human welfare. Thus, in Islam, economic growth is value-laden. Growth is not considered valid if it involves harmful or detrimental goods. This perspective emphasizes not only material prosperity but also social justice, equality, human rights, and human dignity. Therefore, Islamic economic development is multidimensional, aiming for both material and spiritual well-being.

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