

ABSTRACT

This study aims to determine inclusive green growth in Indonesia Regions and to assess the efficiency of government spending on regional inclusive green growth. This study addresses a research gap by developing a standardized framework for assessing economic sustainability and inclusiveness at the regional level. Furthermore, it introduces a novel approach by evaluating the efficiency of government spending in promoting inclusive green growth across provinces.

This study uses cross-sectional data from 34 provinces in 2023. This study builds index based on economic growth, social equity and environmental sustainability, following the Inclusive Green Growth Index (IGGI) framework developed by the Asian Development Bank (ADB). This study uses data normalization from IGGI score to determine regional inclusive green growth and uses data envelopment analysis (DEA) to analyze efficiency of government spending to IGGI score.

The findings of this study indicate that regional growth in Indonesia is not inclusive and sustainable yet. Based on the balance IGGI scores, the social pillar recorded the highest score, followed by the economic pillar with a moderate score, while the environmental pillar received the lowest score. The provinces with the highest and lowest IGGI balance scores are East Java and Papua, respectively. Similarly, East Java exhibits the lowest level of disparity, while Papua shows the highest. Western Indonesia demonstrates a higher average IGGI balance score compared to the Eastern region. Efficient government spending encourages inclusive and sustainable regional growth. Province which are efficient on government spending are Riau Islands Province and Gorontalo Province. They used small government spending to get high IGGI score. In contrast, the Special Capital Region Jakarta Province has the lowest efficiency of government spending. Jakarta has high government spending but it get a lower score than its benchmark. By knowing regional inclusive green growth and efficiency government spending, it can help central government and local government to encourage inclusive and sustainability in Indonesia regions.

Keywords: efficiency, government spending, inclusive green growth, inclusive green growth index (IGGI), data normalization, data envelopment analysis (DEA)

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