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Analysis of Middle Income Trap in Indonesia Era President Joko Widodo

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Abstract:

This study aims to analyze the Middle Income Trap (MIT) in Indonesia under President JokoWidodo (2014-2020). GNI per capita is the main indicator used in determining whether a country is included in the MIT category or not. Factors suspected of influencing GNI per capita are Domestic Direct Investment, Foreign Direct Investment, Exports, Imports and the Infrastructure Budget. Data is sourced from the World Bank, BPS and other media. The year 2020 is the minimum time to establish as a Middle Income Country.

The results of the study show that Indonesia has entered the MIT trap starting in 2020. From the results of the partial test and the simultaneous test, it can be concluded that Domestic Direct Investment, Foreign Direct Investment, Exports, Imports and the Infrastructure Budget have no significant effect on GNI per capita. The challenge faced by Indonesia in order not to be trapped in MIT is that Indonesia must increase its economic growth >6% per year.

In order to get out of the MIT trap, it is necessary to map out investment priorities in order to optimize added value and at the same time absorb labor. The impression is liberating on investors, as a result investors prefer to service sectors that are capital intensive, not labor intensive.

Keywords: MIT, Foreign Direct Investment (FDI), Domestic Direct Investment (DDI), Exports, Imports and Infrastructure Budget

1. Introduction

The purpose of a country's economic development is to create prosperity for all people, because prosperity is one of the ideals of national independence as stated in the constitution. Gross domestic product (GDP) per capita or gross national income (GNI) per capita can be used as a benchmark for the prosperity of the people of a country. The higher the GNI per capita, the more prosperous the people of that country are.

Year	GNI Per Capita (USD)	Growth	GDP Per Capita	Growth	GDP Growth	Average
2014	3 620	2.95	3 693	3 65	5.01	
2015	3.430	5.25	3.824	3.55	4.88	-
2016	3.400	0.88	3.968	3.77	5.03	-
2017	3.530	3.82	4.120	3.83	5.07	5.04
2018	3.850	9.07	4.285	4.00	5.17	-
2019	4.050	5.19	4.451	3.87	5.02	-
2020	3.870	-4.44	4.132	-7.17	-2,07]

Table 1: GDP and GNI Per Capita Indonesia 2014-2020 Source:Word Bank and BPS

GDP per capita in President JokoWidodo (Jokowi)era has consistently increased from 2014 to 2019. However, in 2020 it experienced a contraction of USD 319 or 7.17%. The economic contraction in 2020 is thought to be due to the Covid-19 pandemic

GNI per capita experienced fluctuating growth from year to year from 2014-2020 due to economic uncertainty. GNI per capita in 2014 fell by 2.95% compared to 2013, in 2015 it fell by 5.25% from 2014 and in 2016 it fell by 0.88% from 2015. From 2016 to 2019, GNI per capita continued to increase. From 2017 to 2019, GNI per capita has increased. The highest GNI per capita occurred in 2019 at USD 4,050.

Indonesia's economic growth in the first period of President JokoWidodo's administration (2014-2019) averaged 5.04% per year. The highest growth was achieved at 5.17% in 2018. Economic growth throughout 2020 experienced a

contraction of -2.07%. The contraction in 2020 is the impact of the Covid-19 pandemic that has hit the whole world, including Indonesia. Previously, Indonesia and the world's economic growth had slowed due to the US-China trade war. In the midst of the Indonesian government's efforts to overcome and recover the national economy from the impact of the US-China trade war and the Covid-19 pandemic, an international institution has made a proud achievement for Indonesia. The World Bank as of July 1, 2020 has released an updated classification of the world's economic groups based on GNI per capita.

Group	July 1, 2020		
Low Income	USD 1.035		
Lower Middle Income	USD 1.036 - USD 4.045		
Upper Middle Income	USD 4.046 – USD 12.535		
Hight Income	>USD 12.535		

Table 2: Classification of World Economic Groups Based on Country income Source: World Bank 2020

The World Bank classifies the world's economic groups into four classes based on GNI per capita. First, the low income group below US\$ 1,036. Second, the lower middle income group is US\$ 10.36-4.045. Third, the upper middle income group is US\$ 4,046-12,535. Fourth, the high income group above US\$ 12,535.

In accordance with the GNI classification, 2019 has brought Indonesia to the rank of the Upper Middle Income country group, previously the Lower Middle Income country group. This is an improvement in Indonesia's economic performance in facing the challenge of avoiding the Middle Income Trap (MIT) trap. However, in 2020, Indonesia's GNI per capita fell again by 3.41% compared to 2019. As a result of this decline, Indonesia again abdicated into the category of Lower Middle Income countries in 2020 with a GNI per capita of USD 3,912.

According to Sri Mulyani (minister of finance), one of the challenges faced by the government in the next few years is breaking away from the middle income trap (MIT). Upper middle-income country from the category of lower middle-income country or lower middle-income country (Kompas.com - 06/18/2020, 21:32 WIB). In order for Indonesia to be separated from MIT, it takes an annual economic growth of 6%. This is expected to happen in 2045, as a high-income country, where per capita income reaches USD 12,534. Meanwhile, if economic growth can reach an average of 7% per year, Indonesia can reach a high-income country in 2040 (Public Info, 7 April 2021).

Economic growth is inseparable from the role of investment in economic recovery in Indonesia, especially during the Covid-19 pandemic.

Year	Domestic Investment (TriliunRp)	Foreign Direct Investment (TriliunRp)	Total
2014	156,1	307,0	463,1
2015	179,5	365,9	545,4
2016	217,,3	396,5	613,8
2017	262,3	430,5	692,8
2018	328,6	392,7	721,3
2019	386,5	483,7	809,6
2020	413,5	412,8	826,3

 Table 3: Domestic Investment dan Foreign Direct Investment

Year 2014-2020 Source: BKPM

In the first period of JokoWidodo's administration, investment realization continued to increase from year to year from 2014 to 2018. In 2014 investment, both foreign investment (PMA) and domestic investment (PMDN) was recorded at Rp463.1 trillion with PMA amounting to Rp307 trillion. and PMDN amounting to Rp156.1 trillion.

In the second period of Jokowi's administration, the realization of investment in 2018 was recorded at Rp. 721.3 trillion, with the composition of FDI of Rp. 392.7 trillion and DDI of Rp. 328.6 trillion. Although it continues to increase, investment in Indonesia is not without problems, because investment has not been able to lift economic growth above 6% per year as indicated by Sri Mulyani to be separated from MIT.

Furthermore, in order to avoid the Upper Middle Income trap, Indonesia's trade balance must be in a surplus condition.

Year	Export	Impor	Selisih	Information
	(million USD)	(million USD)	(million USD)	
2014	175.980	178.179	-1.801	Deficit
2015	150.366	142.695	7.671	Surplus
2016	145.134	135.653	9.481	Surplus
2017	168.828	156.925	11.903	Surplus
2018	180.013	188.711	-8.698	Deficit
2019	167.683	171.276	-3.593	Deficit
2020	163.192	141.570	21.622	Surplus

Table 4: Indonesia's Trade Balance 2014-2020 Source BPS 2020 (Data Processed)

Another challenge facing the government of JokoWidodo-Ma'ruf Amin is boosting export performance. Since 2018, Indonesia's trade balance has experienced a deficit, even in 2018 it was recorded as the deepest deficit in history. Indonesia's trade balance deficit reached USD 8.698 billion.

The trade balance deficit continued until 2019 of t USD 3,593 million. If the trade balance is always deficit, it is difficult for Indonesia to get out of the middle-income trap even though economic growth is above the highest economic growth (in 2019) ever achieved.

Infrastructure is a driving force for economic growth, which has been continuously promoted under President JokoWidodo in the hope of increasing competitiveness.

Year	Infrastructure Budget (Rp Trillion)	Growth (%)
2014	163.0	9.48
2015	256.1	62.7
2016	269.1	5.1
2017	379.4	41.1
2018	394.0	3.8
2019	420.0	1.4
2020	419.2	4.9

Table 5: Infrastructure Budget 2014-2020 Source: BPS

Since being elected president of the Republic of Indonesia in 2014, President JokoWidodo has given serious attention to infrastructure development. The direct infrastructure development budget was increased by 62.7% or Rp. 256.1 trillion in 2015. Furthermore, in 2017, the infrastructure budget was again increased to 41.1% or Rp. 379.4 Trillion. In 2016, the budget only increased by 5.1%.

In 2019, the infrastructure spending budget reached Rp 420 trillion. This figure increased by 157% from 2014 which was only Rp. 163 trillion. This year 2020, the infrastructure budget will receive an allocation of Rp. 419.2 Trillion or an increase of 4.9% compared to the previous year which was only Rp. 399.7 Trillion. The target middle-income in the 2020 APBN infrastructure budget is to encourage economic growth and increase GNI per capita in Indonesia.

2. Literature Review

2.1. Middle Income Trap

Middle-income traprefers to a condition in which middle-income countries are unable to maintain a stable level of economic growth to achieve a new income group as high-income countries. So trapped in the middle income group (Aviliani et al, 2014).

Aiyar et al (2013), Gill et al (in Agenor, 2012) suggest that the middle income trap occurs in countries that have slowing economic growth. Several factors are used as a source of a country trapped in the middle income trap. Research conducted by Aiyar and friends emphasizes institutional factors that play a role in the occurrence of the middle income trap.

Jesus Felipe (2012) suggests that the middle income trap can be avoided on the condition that the country can achieve a certain rate of economic growth every year. The average per capita income growth that must be achieved at each level of the middle income trap, both lower and upper, with the following conditions.

- Countries can move from lower middle income to upper middle income not exceeding a period of 28 years and per capita income must grow at least at a rate of 4.7% per year.
- Countries can move from upper middle income to high income not exceeding a period of 14 years and per capita income must grow at least 3.5% per year.

Author	Middle Income Trap	Indicator	
Jesus Felipe, 2012	Lower middle income countries > 28 years upper-middle income countries > 14 years	A period of time country is at country category middle income	
ShekharAiyar, 2013	Middle income trap happened in a country that have growth slowing economy and failed to move inside country category high income with background institutional and various other factors.	Real GDP growth	
Minister of Finance Sri Mulyani Indrawati,2020	It took Indonesia 23 years to enter the category of upper middle income country or upper middle income country from the category of lower middle income country or lower middle income country.	Indonesia's term is in country category middle income	
Minister of Finance Sri Mulyani Indrawati,2020	Brazil took 25 years to enter the category of upper middle income country. Malaysia took 22 years to achieve this status. It took Mexico 28 years to transition from a low-middle-income country to an upper- middle income country.	Brazil, Malaysia and Mexico are in the country category upper middle income	

Source: Various Journals, Processed (2020)

The analysis from Eichengreen, Park and Shin (2012) states that there are three conditions in explaining the growth slowdown. The three conditions can be formulated in the following equation:

a. $G_{t,t-n} \ge 0,035$

b. $G_{t,t-n} - G_{t,t+n} \ge 0.02$

c. Y_t> 10000

where

Y_t : GDP per capita at constant prices 2010

 $G_{t,t+n}$: Average growth rate between years t and t+n

G_{t,t-n} : Average growth rate between years t and t-n

Year t is the year that causes slowing economic growth in every country.

Based on the three equations above, it can be seen that there are three conditions as criteria for a country experiencing slowdown growth so that it can be trapped in the middle income trap. The first equation explains that the average GDP per capita growth for seven years is only 3.5 percent or more (although the previous period could have grown faster). The second equation shows that the average growth in seven years continues to decline to 2 percent (requires great attention). The third equation explains that growth slowdown occurs in countries that have an income of more than USD 10,000 at a constant international PPP price in 2005.

Thus, the growth slowdown analysis cannot explain the conditions in low-income countries experiencing slowing growth. The growth slowdown analysis focuses more on middle-income countries, so it is often closely related to the middle-income trap.

2.2. Economic Growth

Economic growth can be defined as the development of activities in the economy that cause goods and services produced in society to increase. From one period to another the ability of a country to produce goods and services will increase. This increased ability is due to the production factors will always experience an increase in quantity and quality (Sukirno, 2013).

2.3. Domestic Direct Investment (DDI)

According to the Investment Law no. 25 of 2007, domestic direct investment or domestic investment is an investment activity to conduct business in the territory of the Republic of Indonesia carried out by domestic investors using domestic capital.

2.4. Foreign Direct Investment (FDI)

According to the Investment Law no. 25 of 2007 foreign direct investment or foreign investment is an investment activity to conduct business in the territory of the Republic of Indonesia which is carried out by foreign investors, either using fully foreign capital or in joint ventures with domestic investors.

2.5. Trade Balance

The trade balance is the difference between the value of all goods and services exported and imported from a country in a certain period of time. The trade balance is the largest component in the balance of payments because it is an indicator to measure all international transactions.

2.5.1. Infrastructure Budget

In economics, infrastructure is a form of public capital consisting of public roads, bridges, sewer systems and others, as investments made by the government (N. Gregory Mankiw). Adequate infrastructure can accelerate the distribution of manufactured goods and reduce income inequality between regions, which in turn can increase economic growth.

3. Framework

The framework of thought is a synthesis of the relationship between variables that is compiled from various theories that have been described, then analyzed critically and systematically, resulting in a synthesis of the relationship between these variables which is then used to formulate hypotheses (Sugiyono, 2009).



Figure 1 Source: Personal Source

3.1. Research Hypothesis

- Foreign Direct Investment has a positive and significant impact on GN I per capita in Indonesia during the Jokowi era
- Domestic Investment has a positive and significant impact on GNI per capita in Indonesia during the Jokowi era
- Exports have a positive and significant impact on GNI per capita in Indonesia during the Jokowi era
- Imports have a positive and significant impact on GNI per capita in Indonesia during the Jokowi era
- The infrastructure budget has a positive and significant impact on the GNI per capita in Indonesia during the Jokowi era.

4. Research Methods

The type of research is quantitative research using secondary data sourced from the World Bank, BPS, CNN Indonesia and others from 2014 to 2020. The quantitative approach is a method to measure the relationship between variables. The variables at the time the research was measured, will produce data consisting of numbers that can be analyzed using multiple linear regression.

5. Data Analysis

5.1. Analysis of Felipe's Middle Income Trap

- The requirement for a country to move from lower middle income to upper middle income does not exceed a period of 28 years and per capita income must grow at least at a rate of 4.7% per year.
- The requirement for a country to exit from upper middle income to high income does not exceed a period of 14 years and per capita income must grow at least at the rate of 3.5% per year.

5.2. Eichengreen Trap Middle Income Analysis

Eichengreen uses GDP data at constant prices in classifying slowing economic growth. Eichengreen uses GDP data on the basis of constant prices that meet three conditions, namely

- First condition : Gt,t-n≥ 0.035
- Second condition: $Gt,t+n Gt,t-n \ge 0.02$
- Third condition: Yt> USD 10,000

5.3. Multiple Linear Regression

The purpose of multiple linear regression analysis is to find out how much influence several independent variables have on the dependent variable. The data analysis technique used in this research is multiple linear regression.

5.3.1. Analysis of the Coefficient of Determination (R²)

The coefficient of determination or R^2 is used to determine the magnitude of the influence or contribution of the independent variable on the dependent variable (Zhang, 2013).

5.3.2. Hypothesis Test

Hypothesis testing is a decision-making method based on data analysis, both from controlled experiments, and from observations (uncontrolled).

5.3.2.1. Partial Test (t Test)

The t-test is known as the partial test, which is to test how the influence of each independent variable individually on the dependent variable

5.3.2.2. Simultaneous Test (F Test)

Simultaneous test (F test) is used to test jointly whether or not the influence of the independent variable on the dependent variable can be known by using the F test. The guidelines used if the significance probability is > 0.05, then there is no significant effect or Ho is accepted and Ha is rejected and otherwise.

6. Results and Discussion

6.1. Analysis of Felipe's Middle Income Trap

- The requirement for a country to move out from lower middle income to upper middle income does not exceed a period of 28 years and per capita income must grow at least at a rate of 4.7% per year. According to Sri Mulyani, Indonesia only took 23 years to enter the upper middle income country category from the lower middle income country category.
- The requirement for a country to exit from upper middle income to high income does not exceed a period of 14 years and per capita income must grow at least at the rate of 3.5% per year. To be able to get out of the Upper middle income is very difficult for Indonesia under the Jokowi era because one year after being named an upper middle income country (in 2019), in 2020 Indonesia again bears the title of a lower middle income country, even though the economic growth rate is above 3.5%. per year.

6.2. Eichengreen Trap Middle Income Analysis

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- a. First condition:Gt, t-n 0.035
- b. Second condition: Gt, t+n Gt, t-n 0.02
- c. Third condition: Yt> USD 10,000

Year	Real GDP Per Year	GDP Per capita	G ₂₀₁₅ , G ₂₀₁₄	G ₂₀₁₅ , G ₂₀₁₄
		diowtii		
2014	8,564,866.60	5.01		
2015	8,982,517.10	4.88		
2016	9,434,613.40	5.03		
2017	9,912,703.60	5.07	0.01475<0.035	0.01315<0.02
2018	10,425,316.3	5.17		
2019	10,949,243.70	5.02		
2020	10,222,442.70	-2.07		

Table7: Analysis Felipe danEichengreen Source: BPS (Processed Data, 2020)

Based on table 7 above, the average GDP growth between 2020 and 2019 is 1.475% or 0.014475. The average GDP growth between 2020 and 2021 is 1.315% or 0.01315. Furthermore, GDP per capita at constant prices in 2020 is USD 10,222,422.70.

Based on the first and second terms from Eichengreen, there has been a slowdown in economic growth in Indonesia under the Jokowi presidency. During the Jokowi administration, Indonesia's economic growth was not able to be above 5.2%. The highest was only 5.17% in 2018. The slowdown in economic growth in the Jokowi era was due to external factors, namely the US-China trade war and the Covid-19 pandemic. These two factors slowed down the Indonesian and world economies.

6.3. Multiple Linear Regression Analysis

Multiple linear regression analysis was used to determine whether there was an effect of the independent variable on the dependent variable.

Model		Unstandardi	Standardized Coefficients	
	Γ	В	Std. Error	Beta
1	(Constant)	2409.656	977.497	
	DI	52.294	13.379	1.354
	FDI	1.547	18.357	.021
	Ekspor	.526	9.203	.026
	Impor	4.509	5.228	.364
	AnggaranInfrastruktu	026	.018	611
	r			

Table 8: Multiple Linear Regression

Based on the significance of the variables above, it can be seen that the estimation results of the regression equation as follows:

Y = 2409.656 + 52.294X1 + 1.547X2 + 0.526X3 + 4.509X4 -0.026X5

In a state of ceteris paribus, the following can be identified:

- An increase of 1% in the Domestic Investment variable will have a positive and significant effect on the increase in GNI per capita of 52.294%.
- An increase of 1% in the Foreign Direct Investment variable will affect the increase in GNI per capita by 1.547%
- An increase of 1% in the export variable will affect the increase in GNI per capita by 0.526%
- An increase of 1% in the import variable will affect the increase in GNI per capita by 4.509%
- An increase of 1% in the infrastructure budget variable will affect the decrease in GNI per capita by 0.026%.

6.4. Coefficient of Determination Analysis

The coefficient of determination is used to determine the magnitude of the influence or contribution of the independent variable on the dependent variable (Zhang, 2016).

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate			
1	.988ª	.977	.860	94.8912281			
a.Predictors: (Constant), Infrastructure Budget, Imports, FDI, DI, Exports							

Table 9: Coefficient of Determination

Based on table 9 the value of R square is used to determine the magnitude of the influence or contribution between the two independent variables on the dependent variable. In this study, the variables DDI, FDI, Exports, Imports and the infrastructure budget have an effect of 97.7% on the GNI per capita and the remaining 2.3% cannot be explained in this study.

6.5. Hypothesis Test

6.5.1. Partial Test (t test)

Partial test to determine the effect of the independent variable on the dependent variable (Sarstedt and Mooi, 2020) If sig < 0.05 then Ho is rejected Ha is accepted. The results of hypothesis testing are as shown in table 10 below.

	Model	t	Sig.
1			
	DI	3.909	.159
	FDI	.084	.946
	Eksport	.057	.964
	Import	.862	.547
	Infrastructure Budget	-1.492	.376

Table 10: Partial Test

Dependent Variable: GNI Per capita

6.5.1.1. Effect of Domestic Direct Investment (X1) on GNI per capita (Y).

• The results of the first hypothesis test where the value of sig (0.159)> alpha (0.05) then H0 is accepted and Ha is rejected. This means that DDI has no significant effect on GNI per capita.

6.5.1.2. Effect of Foreign Direct Investment (X2) on GNI per capita (Y).

• The results of the second hypothesis test where the value of sig (0.946)> alpha (0.05) then Ho is accepted and Ha is rejected. This means that FDI has no significant effect on GNI per capita.

Investment in Indonesia, both DDI and FDI, has relatively small growth against GDP.Sectors that are in demand by investors are starting to shift from sectors prioritized by the government. The government wants investment to enter the labor-intensive manufacturing sector in order to stimulate economic growth and create new jobs.On the other hand, investors are interested in investing in the service sector rather than in the manufacturing sector. The shift in investment from the manufacturing sector to the service sector is correlated with a decline in labor absorption, consequently suppressing economic growth.

In the midst of increasing unemployment due to the impact of the Covid-19 pandemic, there are more and more high-quality employment opportunities from investment. Regulations that provide easy licensing for entrepreneurs have not yet produced a significant impact on job creation. Therefore, the government is more aggressive in negotiating with potential investors to direct them to invest in sectors that can optimize added value as well as absorb labor. For this reason, it is necessary to have clear mapping and objectives related to investment strategies, especially during the pandemic.

According to Indef researcher, Ahmad HeriFirdaus (kompas.id/economy, 2021) investment in Indonesia does not see an urgent sector and tends to be more liberating to investors, as a result, investors flee to capital-intensive service sectors.

Furthermore, according to economist Faisal Basri, the root of economic problems in Indonesia under President JokoWidodo is wasteful investment. The incremental capital output ratio (ICOR) was recorded at 6.3 in 2018, higher than Indonesia's competitors at the global level such as India and Vietnam recorded an ICOR of 4.64 and 4.31, respectively. This shows that macro investment in Indonesia is still inefficient. The next root of the problem is that investment in the Jokowi era is dominated in the form of buildings, while in the form of machinery and equipment only about 10 percent. On the other hand, in neighboring countries, the share of machinery and equipment is two to three times that of Indonesia.

6.5.1.3. Effect of Exports (X3) on GNI per capita (Y)

The results of the third hypothesis test where the significance value (0.964) > alpha (0.05) which means that exports have no significant effect on GNI per capita.

6.5.1.4. Effect of imports (X4) on GNI per capita (Y)

The results of testing the fourth hypothesis where the significance value is 0.547, greater than 0.05, which means that exports have no effect on GNI per capita.

One of the challenges facing the JokoWidodo-Ma'ruf Amin government is that since 2018, Indonesia's trade balance has been in deficit. Even in 2018 it was recorded as the deepest deficit in history. The trade balance deficit occurred because of the government's inability to boost exports and investment. To improve these two indicators is to simplify the entire complex investment licensing process.

6.5.1.5. Effect of infrastructure budget (X5) on GNI per capita

The results of testing the fifth hypothesis where the significance value (0.376) > alpha (0.05) which means the infrastructure budget has no effect on GNI per capita

The problem that is often faced by infrastructure in Indonesia is the lack of coordination that hinders the infrastructure development process. Infrastructure development in Indonesia cannot run well because of thelack of funds owned by the government. The problem of land acquisition can be a factor that hinders theprocess of infrastructure development in the country. Land acquisition sometimes also causes social conflictin the midst of society. The lack of competence possessed by institutions that are authorized to carry outinfrastructure development is also an obstacle in building infrastructure to the fullest. The process of draftingdevelopment regulations are difficult because of the length of bureaucracy that must be passed.

Model		Sum of	df	Mean	F	Sig.	
		Squares		Square			
1	Regression	377473.369	5	75494.674	8.384	.256 ^b	
	Residual	9004.345	1	9004.345			
	Total	386477.714	6				
a. Dependent Variable: GNI Per capita							
	b. Predictors: (Constant), Infrastructure Budget, Import, FDI, DI, Export						
		- 1	1				

6.5.2. Simultaneous Test (F test)

Table 11: Simultaneous Test

Seen in table 11, the value of sig = 0.256 > = 5% then, based on the simultaneous test (F-Test) of DDI, FDI, Exports, Imports and the infrastructure budget together have no significant effect on GNI per capita in the Jokowi era.

7. Conclusion

- To be able to get out of the trap of middle-income countries or MIT in 2045 is difficult to achieve with a note that Indonesia's average economic growth is only 5.04% per year. Economic growth throughout 2020 experienced a contraction of -2.07%. In order to be separated from the MIT predicate, Indonesia needs economic growth above 6% per year.
- In order to avoid the Upper Middle Income country trap, Indonesia seeks to increase per capita income. Efforts made to increase GNI per capita are increasing investment (especially foreign direct investment), balance of payments surplus and optimizing infrastructure development.
- In the era of President JokoWidodo's administration, economic growth tends to slow down an average of 5.03% per year from 2014-2019.
- Partially or simultaneously the variables of DDI, FDI, Exports, Imports and the infrastructure budget have not had a significant effect on GNI per capita.

8. Suggestion

- The shift in investment from the manufacturing sector to the service sector is correlated with a decline in employment absorption, consequently suppressing economic growth. Therefore, the government is more aggressive in negotiating with potential investors to direct them to invest in sectors that can create added value as well as absorb labor. For this reason, it is necessary to have clear mapping and objectives related to investment strategies, especially during the pandemic era.
- Indonesia needs to take advantage of the demographic bonus to accelerate economic growth. This bonus will peak in 2030-2040.

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