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THE ROLE OF THE DIGITAL ECONOMY IN IMPROVING THE QUALITY OF SOCIETY IN THE WEST JAVA REGION

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Abstract
Today, the era of globalization has begun to change conventional systems to be more futuristic. With the rise of super advanced technology, it will affect all aspects of life. Fast access is very much taken into account in this modern era. No wonder people will be sa or encouraged by the flow of digitalization. Even to transact that used to use physical currency, now you can use digital money. The model of sustainable economic growth is increasingly becoming inseparable from digital technology in countries around the world. The digital economy provides a new impetus and direction for the sustainability of economic growth. This research method uses purposive sampling, with the West Java research area and research samples totaling 162 units within6 years. The sample results were processed using Panel data regression. The results of the analysis show that the Human Development Index and Micro, Small and Medium Enterprises have a relationship and are significant. Each of the variables has a different impact on Internet Users

1. Introduction

The rapid development of Information Communication Technology (ICT) has led to dramatic changes and influences on human life. Schwab (2016), author of The Fourth Industrial Revolution mentioned that currently, entering the era of the industrial revolution 4.0, will affect the essence of human life experience (Nizar & Sholeh, 2021).

Today, the era of globalization has begun to change conventional systems to be more futuristic. With the rise of super advanced technology, it will affect all aspects of life. Fast access is very much taken into account in this modern era. No wonder people will be forced or encouraged by the flow of digitalization. Even to transact that used to use physical currency, now you can use digital money. The model of sustainable economic growth is increasingly becoming inseparable from digital technologies in countries around the world. The digital economy provides a new impetus and direction for the sustainability of economic growth (Jiao & Sun, 2021).

The digital age is now a reality in many countries. Governments, businesses and individuals are migrating their activities to the Internet at an increasing pace and the uptake of digital technology is reaching a new level (Box, Sarah, And Gonzalez, 2017). In Indonesia, digital technology is providing changes thathave more impact in terms of connectivity, divergence, identity, knowledge, and business/trade. The government is currently preparing strategic steps so that Indonesia can adapt to the digital

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industrial era. In fact, Google also predictsthat Indonesia will become the countries with the number one digital economy in Southeast Asia by 2025 (Team Indonesiabaik.id, 2019). Technological changes that occur have changed many conventional dimensions including: politics, economy , social, health, education and so on. Making it a significant change in the basic needs of the community.

The role of the digital economy provides hope in the midst of difficult conditions, and has strong resilience in times of recession. The transformation of the digital economy is an important thing to do immediately. Mckinsey (2016), mentioned that if Indonesia can take advantage of digitalization, it is predicted to realize around USD 150 billion by 2025, with GDP growth of 10 percent per year (Nizar & Sholeh, 2021).

The digital economy has an "increasing" effect on sustainable economic development. Maintaining the right level of economic growth is also an inevitable requirement for high-quality economic and social development (Jiao & Sun, 2021).

E-Commerce is a renewable thing from an economic dimension, with innovations making transactions easier, providing a lot of beneficial impacts for merchants and buyers. According to the report of the 2021 Bank Indonesia Annual Meeting, e-comm erce transactions in the country are projected to touch IDR 403 trillion in 2021.

The value of the digital economy in Indonesia increased by 11% from US$40 billion in 2019 to US$44 billion in 2020. This has the potential to rise again to US$124 billion in 2025. The number is projected to be the highest in Southeast Asia. Indonesia's Digital Literacy Score on the Global Innovation Index (2020) is 3.47 on a scale of 5.00 (Coordinating Ministry for Economic Affairs, 2021). This amount grew 51.6% from the previous year which amounted to Rp 266 trillion. Bank Indonesia has also projected that e-commerce transactions in Indonesia will continue to increase in 2022 with a value of Rp 530 trillion or grow 31.4% (yoy) (Ayu Rizaty, 2021).

The high consumption growth is partly driven by the increasing numberof buying and selling activities through various platforms, which makes it easier for consumers to obtain goods and services. "One of them is online shopping activities or e-commerce (e-commerce),"(Sianturi 2017)/ Based on the results of the 2020 E-Commerce Survey conducted on 17,063 business samples in all provinces in Indonesia.

The scope of the 2020 E-Commerce Survey is businesses that use the internet to receive orders or sell goods and/or services during 2019 (Central Statistics Agency, 2020). The results presented in this publication are only limited to profiles or descriptions of E-Commerce businesses in selected samples. The results of the data collection show that many E-Commerce business actors are non-formal E-Commerce businesses, with characteristics :

- *The majority use instant messaging and social media as sales media;*
- *Total revenue and E-Commerce below 300 million rupiah;*
- *The most commonly used payment methods are Cash On Delivery (COD) or cash payments;*

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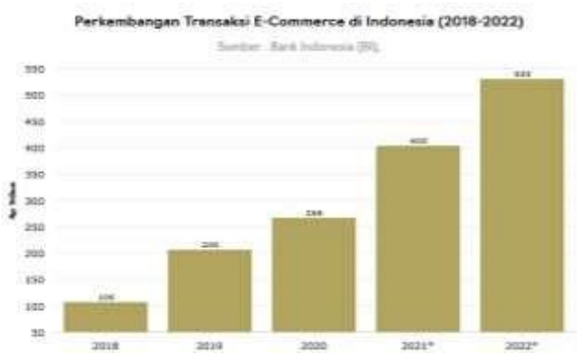
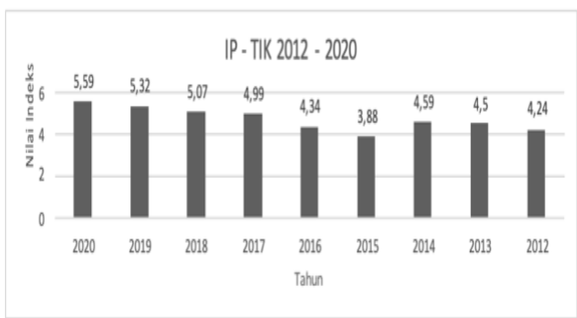
- Direct delivery as the most frequently used shi

The 2020 E-Commerce survey targeted 17,063 businesses spread across 34 provinces throughout Indonesia as a research sample. From the sample target , the response rate from the 2020 Ecommerce Survey was 99.64 percent. It was recorded that 45.93 percent of new businesses began operating in the 2017 - 2019 period. As many as 38.58 percent of businesses have started their business in the range of 2010 - 2016, and only 15.49 percent of businesses have been operating for ten years (Central Statistics Agency , 2020). The total businesses used as E-Commerce analysis in 2020 are businesses that carried out E-Commerce activities during 2019, namely 16,277 business samples (Central Statistics Agency, 2020). Indicates that E-commerce in Indonesia that supports local MSMEs also has a positive impact. Increasing local economic development will be pushed forward and can absorb a wider workforce in the micro scope. In increasing national development, there are several supporting factors that become the main point of development, including: Independence and national sovereignty, Geographical position of the country, Natural wealth, Spiritual factors, Population, Economic globalization, Trust of overseas creditors (Gischa, 2021).

Indonesia, with the full support of the President, is currently focusing on utilization of increasingly rapid technological developments, especially in economic utilization digital. View a graph of



developments Development Index – Information and Communication Technology (IP- TECH), Indonesian have Trend that enough increase at SetiAp Year. Indicates that community has started"Technology Literacy" in the presence of significant changes. Indeed, the growth of the index what happened is not too massive, but it can already indicate that the Indonesian people have begun to Things that Futouristic and modern.



Sumber : Publikasi Badan Pusat Statistik

Is there a Shock Culture for Indonesians? There must be. Because changing something conventional to high-tech will result in very significant changes. Indonesia's readiness to welcome the digital economy is considered to be lacking due to problems related to legal uncertainty that can "umbrella" the digital economy. Although the value of our index has increased, internet users in Indonesia are also considered low. Digitalization makes people have to be able to learn new things to be able to improve the performance and performance of digital itself

Previously, it was explained that, the development of E-Commerce transactions has experienced a sufficient increase, but is it

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evenly distributed in Indonesia? And have the Indonesian people experienced an improvement in their quality to be able to follow the flow of digitalization?

Sumber : Badan Pusat Statistik

Technology requires Human Resources who have enough intellectuals to be able to use the technology. Therefore, the level of education level greatly affects in increasing the HDI and readiness of the Indonesian people to use technology. An interesting fact from the results of the 2020 E-Commerce survey, the highest education of the majority of E-Commerce business persons / business owners is high school equivalent to the bottom (62.69 percent)(Central Statistics Agency, 2020). The Digital Economy is a transaction between seller-buyer in a market that takes place in the Internet world. To be able to use access to these transactions, internet access is required. The Internet is universal, affordable, open and secure. If these conditions are not obtained, then the performance of the digital economic era will only be enjoyed by certain circles.

Based on the background, the author is interested in conducting research on the digital performance of the national development economy in Indonesia, with the title "The Role of the Digital Economy towards Improving the Quality of Society in the West Java Region".

2. Frame Of Thought

The framework of this research is basedon how effective the digitalization performance of the Digital Economy in Indonesia is supported by national development theory. To see how the role of the digitalization economy affects the improvement of the quality of society and national development in Indonesia, several variables become research options such as: Electronic Money Transaction data and Internet users the number of West Java MSMEs , Human Development Index West Java.

Furthermore, quantitative tests were carried out, with the panel data regression method based on the research variable data , to see the effect of economic digitalization on improving the quality of society and national development. The framework of this research can be seen in Figure 1.

3. Research Methods

Scope Of Research

This type of research uses descriptive research methods using quantitative qualifications. The research sample was determined by determining certain criteria / considerations (purposive sampling). The criteria used are: Province which is West Java. The condition of research variables in these provinces is relatively not far apart, such as: cultural similarity, close to the capital city (Jakarta) so that the income distribution channel and knowledge distribution channel are not too unequal. so it will be very helpful in obtaining better results.

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The number of samples selected was 27 (twenty-seven) regions in the province of West Java with the number of years of 6 years (2015-2020), so the number of samples for this study was 162 units. Data sources are obtained from data published on the pages of the Central Statistics Agency, APJII, Bank Indonesia, Kemenkopukm, Kominfo and several other reliable sources.

Analysis Method

Because this study uses a quantitative approach, researchers use a regression analysis method to examine the relationship between anumber of independent variables and dependent variables. The data analysis method used is the panel data model. In this study, quantitative analysis methods were used related to data values expressed on a numerical scale and the purpose of research to determine the influence of independent variables on dependent variables, as well as The data analysis method used is the panel data model.

Panel data is data that has two dimensions, cross-section and time-series. The combination of time series and cross section can improve the quality and quantity of data with an approach that is not possible using one of these data (Gujarati, 2004). Panel data is data that has two dimensions, cross-section and time-series.

The combination of time series and cross section can improve the quality and quantity of data with an impossible approach by usingone of these data (Gujarati, 2004). Data Panel is substantially able to minimize the problem of omitted-variables, namely the model which ignores the relevant variables. By using the Estimated Panel Model, the stages of testing the data are very complex.

There are 3 tests and 3 models that will be presented in the model panel. The 3 panel models tested are: Pooled Least Square (PLS), Fix Effect Model (FEM) and Random Effect Model (REM). Steps to take to test the panel's best model: Chow Test, Hausman Test, and Langrange Test. This multiple regression data processing uses the square method (Ordinary Least Square / OLS) and panel data processing using Eviews software version 9.0.

The equations to form the mathematical model of this study, are:

$$Y = \beta + \beta 1\, x_1 + \beta 2\, x_2 + \beta 3\, x_3 + \varepsilon t$$

In this study, the best Random Effect Model so that it turns into:

$$Y_{it} = \beta 1 + \beta 1\, x_1 + \cdots + \beta n\, x_{nit} + \varepsilon t + uit$$

Y = Human Development Index	β = Constants
X1 = Poverty Depth Index	εt = Error Term (Disruptive Variable)
X2 = Pure Participation Rate	Y_{it} = Residual (Residual Cross Section & combined residual Cross Section – Time Series)

4. Result and Discussion

Result

PLS Common Effect

Dependent Variable: PI
Method: Panel Least Squares
Date: 01/02/22 Time: 09:50
Sample: 2015 2020
Periods included: 6
Cross-sections included: 27
Total panel (balanced) observations: 162

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	135.8584	65.49060	2.074471	0.0396
IPM	-0.005220	0.009128	-0.571888	0.5682
UMKM	0.000361	4.06E-05	8.889528	0.0000

R-squared	0.335488	Mean dependent var	167.4012
Adjusted R-squared	0.327130	S.D. dependent var	68.95966
S.E. of regression	56.56669	Akaike info criterion	10.92706
Sum squared resid	508766.7	Schwarz criterion	10.98424
Log likelihood	-882.0921	Hannan-Quinn criter.	10.95028
F-statistic	40.13673	Durbin-Watson stat	1.387426
Prob(F-statistic)	0.000000		

The HDI and MSME variables affect PI with probabilities of 0.5682 and 0.0000. The results obtained are quite unique because two variables provide different responses. The HDI variable has no negative and insignificant effect. The R-squared value is 0.327130 which means that the HDI variable can be explained by 32% by the HDI and MSME variables. This R-squared value is quite small, so is the HDI Variable

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Probability value is not good so it is less robust in explaining the PI. Therefore, it is necessary to do the next test to get the best model.

Chow Test

The Chow test was conducted to test the results of the analysis of Common Effect versus Fixed Effect. Before conducting the Chow test, itis arranged as follows: H0 : Common Effect Model H1 : Fixed Effect Model. Here are the results of the Chow Test using Redundant Fixed Effects– Likelihood Ratio.

Redundant Fixed Effects Tests
Equation: Untitled
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	2.568213	(26,133)	0.0002
Cross-section Chi-square	65.907309	26	0.0000

The results of the Chow Test show a probability value of cross section F 0.0002 and cross section Chi-square of 0.0000 , meaning less than the significance level of α = 5% (0.0000 < 0.05). Through these results it was concluded that H0 was rejected so that the better model was the Fixed Effect Model (FEM).

Hausman Test

After getting the results of the Chow test, namely the Fixed Effect model, it is better, the test must continue to compare the Fixed Effect with the Random Effect. To find out the results, a hypothesis was first compiled, namely: H0: Fixed Effect Model H1: Random Effect Model. Here are the results of the Hausman test using Correlated Random Effects – Hausman Test:

Correlated Random Effects - Hausman Test
Equation: Untitled
Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	4.746998	2	0.0932

The results of the Hausman test showed a probability value of 0.0932 meaning that it was greater than the significance level of α = 5% (0.0932> 0.05), it can be concluded that H0 is rejected or accepts H1. A better model to use is Random Effect. If the Hausman test results are not the same/corroborate the Chow test results, it is necessary to do a Langrange test to find out which one is the best between Common Effect or Random Effect.

Lagrange Test

The Lagrange Multiplier Test or commonly referred to as the Lagrangian Multiplier Test is an analysis carried out to determine the best method in panel data regression, whether Common Effect or Random Effect. The Lagrange Multiplier Test pada this study must be done because the results of the Chow test and the Husman test are different, namely: The Chow Test test shows that the best method is Common Effect rather than Fixed Effect and Hausman Test shows that the best method is Random effect rather than Fixed Effect.

So a Langrange Multiplier Test is needed to determine whether the Common Effect is better than the Random Effect. To find out the results, a hypothesis is first compiled, namely: H0 : Common Effect Model H1 : Random Effect Model Here is a display of the results of the Langrange Test using the Breusch-Pagan LM Test.

Lagrange Multiplier Tests for Random Effects
Null hypotheses: No effects
Alternative hypotheses: Two-sided (Breusch-Pagan) and one-sided (all others) alternatives

	Test Hypothesis		
	Cross-section	Time	Both
Breusch-Pagan	14.79713 (0.0001)	2.628157 (0.1050)	17.42529 (0.0000)
Honda	3.846704 (0.0001)	-1.621159 --	1.573698 (0.0578)
King-Wu	3.846704 (0.0001)	-1.621159 --	0.060198 (0.4760)
Standardized Honda	4.155537 (0.0000)	-1.459580 --	-2.396136 --
Standardized King-Wu	4.155537 (0.0000)	-1.459580 --	-3.152005 --
Gourierioux, et al.*	--	--	14.79713 (< 0.01)

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From Table 4, it is known that the P Value is 0.0001 where the value is less than 0.05. So this Lagrange Multiplier Test shows that it accepts H1 and rejects H0. This result means that the best estimation method that shows the influence between HDIand MSM on PI is the Random Effect.

Random Effect

Based on the tests that have been carried out, namely the Chow Test, Hausman Test and Langrange Test, it shows that the most appropriate panel data model in the analysis of the Effect of IKK and APM on IMP is the Random Effect Model. Based on the Random Effect model, the EGLS panel analysis was then carried out.

The results of the EGLS (Cross-sectiom random effect) panel analysis can be seen to be seen that the regression equation in this study is as follows: PI = -2.555231 - 0.059663 HDI + 0.000437 UMKM + ε.

Dependent Variable: D(PI)
Method: Panel EGLS (Cross-section random effects)
Date: 01/02/22 Time: 22:13
Sample (adjusted): 2016 2020
Periods included: 5
Cross-sections included: 27
Total panel (balanced) observations: 135
Swamy and Arora estimator of component variances

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-2.555231	6.002848	-0.425670	0.6710
D(IPM)	-0.059663	0.016517	-3.612170	0.0004
D(UMKM)	0.000437	4.86E-05	8.975738	0.0000

Effects Specification	S.D.	Rho
Cross-section random	0.000000	0.0000
Idiosyncratic random	69.43348	1.0000

Weighted Statistics			
R-squared	0.419621	Mean dependent var	0.466667
Adjusted R-squared	0.410828	S.D. dependent var	83.33826
S.E. of regression	63.96842	Sum squared resid	540138.6
F-statistic	47.71883	Durbin-Watson stat	2.620909
Prob(F-statistic)	0.000000		

Unweighted Statistics			
R-squared	0.419621	Mean dependent var	0.466667
Sum squared resid	540138.6	Durbin-Watson stat	2.620909

Based on the equation above, that the variable coefficient of the Human Development Index (HDI) of -0.059663 means that every increase in HDI by 1 unit, it will reduce Internet Users (PI) by -0.059 units. Furthermore, the Micro, Small and Medium Enterprises (MSMEs) variable is - 0.000437 which means that every 1 unit increase in MSMEs will add PI of 0.000437 units. These estimation results also use differentiation to refine the results. Because the data presented is too unrelated, and needs to be cured. Healing uses a differentiation method so that the value raised shows good things, and is free from autocorrelation problems.

Partial Significance Test

The t-statistical probability value on the Human Development Index (HDI) variable of 0.0004 where 0.0000 < 0.05 (α = 5%) means that H0 is rejected and H1 is accepted. Similarly, the probabilvalue of t-statistical itas in the Micro, Small and Medium Enterprises (MSMEs) variable is 0.0000 where 0.0000< 0.05 (α = 5%) which means H0 is rejected and H1 is accepted. It is concluded that partially the variables of the Human Development Index and the variable number of Micro, Small and Medium Enterprises each have a significant influence on Internet Users in the West Java Region.

Dependent Variable: D(PI)
Method: Panel EGLS (Cross-section random effects)
Date: 01/02/22 Time: 22:13

R-squared	0.419621	Mean dependent var	0.466667
Adjusted R-squared	0.410828	S.D. dependent var	83.33826
S.E. of regression	63.96842	Sum squared resid	540138.6
F-statistic	47.71883	Durbin-Watson stat	2.620909
Prob(F-statistic)	0.000000		

C	-2.555231	6.002848	-0.425670	0.6710
D(IPM)	-0.059663	0.016517	-3.612170	0.0004
D(UMKM)	0.000437	4.86E-05	8.975738	0.0000

Simultaneous Test

F test or simultaneous test is a test that aims to determine that independent variables have a significant influence together on their dependent variables. If F-statistics >0.05 then means that all independent variables have no influence on the dependent variables , if F-statistics < 0.05 means that all independent variables have a significant influence on the dependent variables.

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Based on Table 7, an F-statistical coefficient value of 47.71883 was obtained with a pro bability value of 0.0000 at a significance level of 5%. Since the F-statistical probability value (0.0000 < 0.05), it can be concluded that all independent variables have a simultaneous effect (together) on the dependent variable.

Coefficient Of Determination

R-squared	0.419621	Mean dependent var	0.466667
Adjusted R-squared	0.410828	S.D. dependent var	83.33826
S.E. of regression	63.96842	Sum squared resid	540138.6
F-statistic	47.71883	Durbin-Watson stat	2.620909
Prob(F-statistic)	0.000000		

The coefficient of determination test is a test to find out how much the independent variable is capable of explaining the dependent variable. Based on Table 8, the value of the coefficient of determination (Adjusted R- square) is 0.40828. This means that 40% of the Human Development Index in the West Java region and Micro, Small and Medium Enterprises in the West Java region 2015-2020 are explained by the HDI and MSME variables. The rest of the other 60% percent is explained by variables outside of this study.

Test Classical Assumptions

Classical assumption tests were conducted to test the feasibility ofthe regr esi model used in this study. In this study, the classical assumption test used was only a multicholinearity test. This study did not use the heteroskedasticity test because the best model used in this study was the Random Effect Model (REM), where the REM method can eliminate the heteroskedasticity problem.

Multicoliniearity Test

The Multicholinearity test aims to find out whether there is a perfect relationship between independent variables. If in the test it turns out that the conclusion is obtained that between independent variables are tied together. then the regression model used is not good. It says there is multicholinearity between the variables independent if the value exceeds 0.8. The following are the results of the multicollinerity test in this study

	IPM	UMKM
IPM	1.000000	-0.061189
UMKM	-0.061189	1.000000

The results of the multicholinearity test above show that the coefficient value of each of the independent variables (Pure Participation Rate and Poverty Depth Index) in this study is below 0.8 (-0.061189) so it can be concluded thatthere is no multicholinearity problem in the model used in this study.

Discussion

Effect Of Human Development Index on Interest Users

The author's research is to discuss how the journey of the Manusia Development Index and Micro, Small and Medium Enterprises to Internet users in the West Java region. The results of this study as conducted by (Saputra et al., 2021) show that the human development index has an influence on technological development. Thisis more about eastern Indonesia.

In this study, indeed for the eastern region, further development is still needed for internet access and use. Similarly, the author's research that even the west still cannot lift the quality of people in the region in the introduction of technology, especially adequate internet access. Internet access is stillevenly distributed by region, gender, welfare level, education level, and business sector. For example, only 2% of the total workforce in the

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agricultural sector uses the internet, even though the number of workers in this sector reaches 27% of the total number of people working in Indonesia (Bachtiar et al., 2020).

In the 27 research areas, from the quality sector of society there are no values that differ too much. This indicates that the equitable lack of knowledge to use technology is still far from expectations, but has begun to gradually follow the development of existing technology.

The Effect Of Micro, Small, and Medium Enterprises on Interest Users

Discussing Micro, Small and Medium Enterprises there are many that link to internet technology, one of which is the change of MSMEs to E-Commerce. In accordance with Bank Indonesia's publication, according to the report of the 2021 Bank Indonesia Annual Meeting, e-commerce transactions in the country are projected to touch IDR 403 trillion in 2021. This amount grew 51.6% from the previous year which amounted to Rp 266 trillion. Bank Indonesia has also projected that e-commerce transactions in Indonesia will continue to increase in 2022 (Ayu Rizaty, 2021).

The increasing importanceof E-Commerce and its potential in encouraging MSMEs, initiated the Indonesian government to target Indonesia to become the largest digital economy in Southeast Asia (Sianturi, 2017). Indeed, in the discussion of the digital economy, E-commerce is a heavy point. In order to achieve the vision of "Advanced Indonesia 2045", the Government of Indonesia does so with 4 (four) pillars, namely: (1) Human Development and Mastery of Science and Technology, (2) Sustainable Economic Development, (3) Equitable Development, and (4) Strengthening National Resilience and Governance (Coordinating Ministry for Economic Affairs, 2021).

5. Conclusions And Suggestions

Based on the results of this study, it is known that partially variables can be concluded Based on the results of this study, it is known that partially it can be concluded that the variables of the Human Development and Business Index can be concluded Micro Small Medium each has a significant influence on Internet Users. Simultaneously both research variables also showed significant.

Byde-termination, the Pure Participation Rate and Poverty Depth Index get a point of 40% (the rest is explained by other variables outside the study).

As a whole or nationally, development to revive the digital economy is a national target, but in the regional scope it must require considerable energy to level one's individual ability to know orlearn about technology. In research, HDI still gives a negative value to technology. The government can slowly socialize how easy it is to use e-commerce or cashless transactions. Because people with low education and lower middle class economy still cannot be separated from the habit of buying and selling transactions in the conventional way. So that a change in mindset must be implemented in regional communities.

Regarding MSMEs, local governments have been very good at developing MSMEs towards the use of sophisticated technology. It can be seen that from this research, MSMEs provide positive and significant value, indicating that the performance of the digital economy has worked wellfor the MSME world. More and more people are using E-commerce technology that will make it easier for sellers and buyers.

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However, the government must still monitor the non-physical competition of these E-commerce stores . Because the price cannot be controlled by the government if it is already in cyberspace. Because the regulations carried out will be different from conventional and modern. The problem that remains an obstacle is that the law protecting E-commerce businesses is still not visible and it is not clear how the laws and regulations are. Therefore, the government must create a clear law to protect the competition of MSMEs that have used E-commerce.

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