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THE ROLE OF INSTITUTIONS AND GLOBALIZATION TOWARDS INCLUSIVE AND SUSTAINABLE GREEN DEVELOPMENT (INCLUSIVE GREEN GROWTH)

ABSTRACT

The idea of a green economy does not replace sustainable development, but creates a new focus on the economy, investment, capital and infrastructure, jobs and skills as well as positive social and environmental outcomes. The green economy is closely related to SDGs No. 13, climate action, but, even further, this concept directs attention to the quality of life with people at the center. This research tries to see the impact of the development of inclusive green growth in several countries on the welfare of their people. Inclusive green growth prioritizes planetary and human health, and considers them interrelated. Prioritization and implementation of green initiatives also helps countries achieve various sustainable development goals. The hypothesis tested is that countries that implement inclusive green growth in their development policies will have a strong correlation with community welfare, governance of government institutions, and economic openness in the context of international trade. The results of data analysis show that inclusive green growth has a positive and insignificant effect on economic openness in various countries. Government institutional governance has a positive and insignificant effect on economic openness in various countries. Inclusive green growth has a positive and significant effect on the welfare of society in various countries. The governance of government institutions has a negative and insignificant effect on the welfare of society in various countries. Economic openness has a positive and significant effect on the welfare of society in various countries. Inclusive green growth does not have an indirect effect on the welfare of society in various countries. The governance of government institutions does not indirectly influence the welfare of society in various countries.

Keywords: inclusive development, sustainable development, green economy, inclusive green growth

INTRODUCTION

Over the last few years, the use of the term “Green Economy” has increased and has been used by the UN, European Union and OECD to explain the relationship between sustainability, the economy and the environment. In fact, the transition to a green economy is what is needed to achieve various sustainable development goals – both action goals for climate improvement, as well as economic growth, justice and prosperity. Green economy is defined as development that is accompanied by low carbon conditions, saves resources and is socially inclusive. In a green economy, job and income growth is driven by public and private investment into economic activities, infrastructure and assets that enable reduced carbon emissions and pollution, increased energy and resource efficiency, and prevented loss of biodiversity and ecosystem services. A green economy means investing in renewable energy, such as solar power, onshore and offshore wind power, hydrogen, electric vehicles and energy-efficient homes.

The idea of a green economy does not replace sustainable development, but creates a new focus on the economy, investment, capital and infrastructure, jobs and skills as well as positive social and environmental outcomes. The green economy is closely related to SDGs No. 13, climate action, but, even further, this concept directs attention to the quality of life with people at the center.

The role of green economy, sustainable consumption and production and resource efficiency for sustainable development aims to improve production processes and consumption practices to reduce resource consumption, waste production and emissions. While resource efficiency refers to the ways in which resources are used to provide value to society and aims to reduce the amount of resources needed, including reducing emissions and waste produced. Green economy provides a macroeconomic approach to sustainable economic growth with a primary focus on investment, employment and skills.

The concept of a green economy is also a policy that continues to be promoted by Indonesia. Several efforts made by the Indonesian Government to realize a green economy in Indonesia include a focus on green investment and the development of green energy. Investors who want to invest in this sector will get many benefits, starting from an easy licensing system to fiscal incentives from the Indonesian Government (https://www.bkpm.go.id, 2022). The important point in this case is about encouraging economic growth and development while ensuring that natural assets continue to provide environmental resources and services that provide economic opportunities and community welfare.

Economies with a dominant informal sector are very large in many developing countries. The potential and dangers need to emerge in every transition towards green growth to make it happen. More and better jobs and resilient livelihoods for the poor. Thus there is a growing convergence around the idea that the current economic system is not only "unsustainable" and "inefficient" in its use of resources, moreover there are indications of injustice in its use in terms of the distribution of costs and benefits.

Inclusive Green Growth (IGG) seeks to provide solutions for the common goals of economic growth, environmental sustainability and social inclusiveness. Concepts such as green growth, green economy, new climate economy and low carbon development have been developed simultaneously, with slightly different definitions. Therefore , IGG is not considered a new paradigm, but rather one that involves and connects pre-existing approaches, sustainable (green) and inclusive growth. According to Bowen (2012), it aims to operationalize sustainable development by reconciling developing countries' needs for rapid growth and poverty reduction, with the need to avoid irreversible and costly environmental damage.

RESEARCH METHODS

The study was designed for quantitative research. Because the green economy provides a macroeconomic approach for sustainable economic growth with a main focus on investment, employment and skills, the analysis in this research will use data in a macro order that is in accordance with the concept map. The data that will be used is data at the country level. The analysis used in this research is a panel data regression model. The panel regression model estimation methods that researchers use are, Common Effect Model, Fixed Effect Model, and Random Effect Model.

RESULTS AND DISCUSSION

Table 1: Descriptive statistical results

	IGG	GOVERNANCE	OPENNESS	WELL-BEING
Mean	31.82339	53.86965	0.692604	17179.24
Median	29.20000	52.66000	0.694200	6952,000
Maximum	65.50000	100,0000	0.890000	117370.0
Minimum	0.100000	2.460000	0.548800	217,0000
Std. Dev.	12.06179	27.37327	0.070793	21408.68
Observations	744	744	744	744

The results of the analysis above display statistical data for each research variable used, which can be explained as follows:

1) Inclusive Green Growth

The results of descriptive statistical testing for the inclusive green growth variable have the lowest (minimum) value of 0.100 and the highest (maximum) value of 65.50 with an average (mean) value of 31.82 and a standard deviation of 12.06.

2) Governance of Government Institutions

The results of descriptive statistical testing for government institutional governance variables have the lowest (minimum) value of 2.46 percent and the highest (maximum) value of 100 percent with an average (mean) value of 53.86 and a standard deviation of 27.37.

3) Economic Openness

The results of descriptive statistical testing for the economic openness variable have the lowest (minimum) value of 0.548 and the highest (maximum) value of 0.890 with an average (mean) value of 0.692 and a standard deviation of 0.070.

4) Public welfare

The results of descriptive statistical testing for the community welfare variable have the lowest (minimum) value of $217 and the highest (maximum) value of $117,370 with an average (mean) value of $17,179.24 and a standard deviation of $21,408.68.

Table 2: Results Test Chow

Effects Test	Statistics	df	Prob.
Cross-section Chi-square	226.361237	8	0.0000

Source: Data is processed

Based on the Chow test results in Table 2, it can be seen that the cross-section chi-square probability value is 0.000 < 0.05, meaning that H0 is rejected and H1 is accepted, so this research uses a fixed effect model.

Table 3: Results Hausman test

Test Summary	Chi-Sq. Statistics	Chi-Sq. df	Prob.
Cross-section random	106.095027	3	0.0000

Source: Data is processed

Based on the Hausman test results in Table 3, it is known that the random cross section probability value is 0.0000 < 0.05, meaning that H0 is rejected and H1 is accepted, so the fixed effect model is used. After carrying out the Chow and Hausman tests, it can be concluded that the model used is a fixed effect model.

Table.4: Testing the Direct Effect of *Inclusive Green Growth* and Government Institutional Governance on Economic Openness

Variables	Coefficient	Std. Error	t-Statistics	Prob.
C	0.674426	0.012250	55.05550	0.0000
IGG	0.000181	0.000297	0.609518	0.5424
GOVERNANCE	0.000231	0.000141	1.639650	0.1016

Source: Data processed

Based on the regression results, the following structural equation can be drawn.

Structural Equation I

$\hat{Y}1 = \beta\ 1X1 + \beta\ 2X2$

$\hat{Y}1 = 0.000181\text{IGG} + 0.000231\text{Governance}$

Table 5: Testing the Effect of *Inclusive Green Growth* , Governance of Government Institutions and Economic Openness on Community Welfare in Various Countries

Variables	Coefficient	Std. Error	t-Statistics	Prob.
C	-14662.25	7471.713	-1.962368	0.0502
IGG	364.3104	74.44851	4.893455	0.0000
GOVERNANCE	-61.47707	35.39032	-1.737116	0.0829
OPENNESS	34016.03	10097.01	3.368920	0.0008

Source: Data processed

Based on the regression results, the following structural equation can be drawn.

Structural Equations II

$\hat{Y}1 = \beta\ 3X3 + \beta\ 4X4 + \beta\ 5X5$

$\hat{Y}1 = 364.3104\ \text{GG} - 61.47707\ \text{Organization} + 34016.03\ \text{Openness}$

Thus, the results of testing the direct influence hypothesis can be explained as follows.

1. Inclusive green growth has a positive and insignificant effect on economic openness in various countries with a probability value of 0.542 > 0.05.
2. Government institutional governance has a positive and insignificant effect \on economic openness in various countries with a probability value of 0.101 > 0.05.
3. Inclusive green growth has a positive and significant effect on people's welfare in various countries with a probability value of 0.000 < 0.05.
4. The governance of government institutions has a negative and

insignificant effect on people's welfare in various countries with a probability value of 0.082 > 0.05.

5. Economic openness has a positive and significant effect on people's welfare in various countries with a probability value of 0.008 < 0.05.

Table 6: Indirect Effect of Research Variables

Connection Intervariables		Variable Mediation	Sobel Test	Information
X_1	Y_2	Y_1	0 , 61	No Significant
X_2	Y_2	Y_1	1.47	Not significant

Source: Data processed

Information

X1 = Inclusive Green Growth
X2 = Governance of Government Institutions
Y1 = Economic Openness
Y2 = Community Welfare

Based on Table 7, it shows that the indirect effect of inclusive green growth on people's welfare in various countries through economic openness has a calculated Z value of 0.61 < 1.96, so H0 is accepted and H1 is rejected, which means that inclusive green growth has no indirect effect. directly to the welfare of society in various countries through economic openness. The indirect influence of government institutional governance on the welfare of society in various countries through economic openness has a calculated Z value of 1.47 < 1.96, so H0 is accepted and H1 is rejected, which means that government institutional governance has no indirect effect on welfare. communities in various countries through economic openness .

Discussion of Research Results

1. The Influence of Inclusive Green Growth on Economic Openness

   Empirical research conducted by a number of leading economic experts shows that the green growth index has a positive and significant influence on economic openness. This is proven by increasing investment in sustainable sectors that promote environmentally friendly economic growth, which in turn helps open the door to closer international economic cooperation and wider global market access (Azzaki, 2021).

2. The Influence of Government Institutional Governance on Economic Openness

   According to research conducted by Xuguang Song, et. al. (2021), that good governance in a country shows a positive and significant influence on economic openness. This happens because strong governance creates an environment that supports investor confidence, minimizes bureaucratic obstacles, and increases transparency, all factors that contribute to increased foreign investment and international trade (Linawati, et al, 2021).

3. The Influence of Inclusive Green Growth on Community Welfare

   Research with similar results was conducted by Andi Tenri Lawa Putri Lanrang Haris (2022) in her dissertation which showed that the Green Growth Index had a positive and significant influence on community welfare. In addition, the Organization for the Environment and Economic Development (OECD) in its Green Growth Policy Review report (2022:5) states that when a country adopts policies that support green growth, such as investment in renewable energy, reducing greenhouse gas emissions, and environmental conservation, the level of community welfare tends to increase.

4. The Influence of Government Institutional Governance on Community Welfare

   Several studies recognize that positive governance has a significant impact on community welfare. However, although positive governance can provide a strong basis for the advancement of societal well-being, external factors such as social inequality or other economic factors can also significantly influence the level of well-being. Good governance, such as transparency, accountability and active participation in the government decision-making process, has been proven to bring various benefits that improve community welfare (Linawati, et al, 2021).

5. The Effect of Economic Openness on Community Welfare

   Economic openness, which includes international trade and foreign investment, has been proven to have a positive and significant influence on people's welfare in many cases as proven by several research results. According to Penny Chariti Lumbanraja and Pretty Luci Lumbanraja (2022), economic openness allows countries to take advantage of their comparative advantages.

CONCLUSION

Based on the discussion of the results of the research that has been carried out, it can be concluded that:

1. Inclusive green growth has a positive and insignificant effect on economic openness in various countries.
2. Governance of government institutions has a positive and insignificant effect on economic openness in various countries.
3. Inclusive green growth has a positive and significant effect on the welfare of society in various countries.
4. The governance of government institutions has a negative and insignificant effect on the welfare of society in various countries.
5. Economic openness has a positive and significant effect on the welfare of society in various countries.
6. Inclusive green growth does not have an indirect effect on the welfare of society in various countries.
7. The governance of government institutions does not indirectly influence the welfare of society in various countries.

Suggestion

1. The government is expected to reduce unsustainable trade barriers and maximize economic growth achievements by promoting various innovations in sustainable sectors within the country, this is to give a signal to countries that are concerned about sustainability to invest in environmentally friendly sectors to sustainable economic development in Indonesia.
2. The government needs to optimize the implementation of good governance *to* create an environment that supports investor confidence, minimizes bureaucratic obstacles, and increases transparency, all factors that contribute to increased foreign

investment and international trade. Apart from that, the government needs to ensure and overcome obstacles in governance, such as several policies that can limit the running of state management, infrastructure and political stability. Thus, economic openness for Indonesia will be better.

3. All stakeholders need to support various green growth policies, such as investment in renewable energy, reducing greenhouse gas emissions, and preserving the environment. In addition, the government needs to actively participate in efforts to mitigate climate change and protect the environment to ensure that communities have better air quality, better access to sustainable natural resources, and an overall healthier environment. Thus, this will maintain the sustainability of natural resources for the welfare of society in the long term.

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