



The Effect Of Economic Growth and Government Expenditure On Human Development In Palu City

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ABSTRAK

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The purpose of this study was to determine and analyze the effect of economic growth and government spending simultaneously and partially on human development in Palu City. This research is classified into the type of explanatory research that examines the causal relationship between two or more phenomena with using secondary data from the publication of documentation from the Central Statistics Agency (BPS) of Palu City, the Financial Bureau of the Palu City Secretariat or the Regional Revenue Agency (Bapenda) for the period 2012-2020. The data analysis technique uses multiple linear regression analysis with the results of the study showing that the variables of economic growth and government spending simultaneously have a positive and significant effect on human development in Palu City, with a Sig-F value of $0.000 < 0.05$. The variable of economic growth has a positive and significant effect on human development in Palu City with a Sig-t value of $0.000 < 0.05$; and the government expenditure variable has a positive and significant effect on economic growth in Palu City with a Sig-t value of $0.009 < 0.05$.

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1. Introduction

The progress of human development in general can be shown by looking at the development of the human development index (HDI) which reflects an achievement of progress in the fields of education, health, and the economy. *human capital* is one of the important factors in economic development. According to Todaro (2010), the human resources of a nation are the most decisive factor in the character and speed of the nation's social and economic development. One of the data that can be used as an indicator for planning and evaluating regional development results is GRDP data. GRDP data can show the level of regional economic development in macro, aggregate and sectoral terms. The formation of this GRDP figure is intuitively influenced by many factors, especially economics such as productivity and efficiency.

The Gross Regional Domestic Product which has increased considerably in the economic aspect is a reflection of the better level of income of the people in the area, while in the non-economic sector the increase indicates an improvement in the level of health, education, housing, the environment and other aspects of society. Thus, the Gross Regional Domestic Product aggregatively shows the ability of a region to generate income or remuneration for production factors that participate in the production process in that area.

Economic growth is one of the most important indicators to monitor and evaluate the results of development that has been implemented, especially in the economic sector. Economic growth is often associated with human development. An increase in economic growth can allow for increased output and income in the future so that it will increase the HDI. One of the most important development tasks is the ability to translate economic growth into increased human development. Human development or the quality of human resources is very important, so efforts to improving the quality of human resources in development has become a necessity. The quality of good human resources in a region has a role in determining the success of management in the region.

The development of Palu City's economic growth during the period 2012-2020 tends to fluctuate and only experiences a relatively low increase or decrease every year. Meanwhile, the development of the Human



Development Index (HDI) in Palu City since 2012-2020 has continued to increase and during that time the highest HDI occurred in 2020, which was 81.50. The following is data on economic growth and the Human Development Index (IPM) of Palu City as shown in Table 1 below:

Tabel 1
Economic Growth and Human Development Index
Palu City, Period 2012-2020

Year	Economic growth	HDI
2012	9.44	78.10
2013	8.81	78.36
2014	9.18	78.65
2015	8.89	79.12
2016	7.74	79.63
2017	6.12	79.73
2018	5.86	80.24
2019	5.05	80.91
2020	4.58	81.50

Source: Palu City Central Statistics Agency 2021.

Table 1.1. The above shows the development of Economic Growth on the Human Development Index in Palu City in the period 2012-2020. Economic growth is seen fluctuating, while the HDI shows an increasing trend. This indicates that not always an increase in economic growth will also be followed by an increase in the HDI. This means that there are still government spending factors that can also influence the increase in HDI. However, regional economic growth is positively and significantly affected by human development. In essence, development is human development, so it is necessary to prioritize the allocation of expenditures for this purpose in the preparation of the budget (Priyo, 2009).

The priority of spending in the context of increasing human development is considered to increase the level of community welfare. The increase in human development can be observed from the size of the Human Development Index. If the Human Development Index increases, it can also be assumed that the level of community welfare will also increase. *government expenditure*) is part of fiscal policy, namely an action by the government to regulate the course of an economy by determining the amount of revenue and expenditure from the government each year which is reflected in the documents of the APBN for the national and the APBD for the regions/regions. The purpose of this fiscal policy is to stabilize prices, output levels and employment opportunities and spur economic growth (Sukirno, 2010).

The response of the Palu City government in overcoming the problem of the low quality of human capital will be seen from the performance of the local government in providing education and health for the population. The local government of Palu City must be able to guarantee the right of the community to be healthy (*right for health*) by providing fair, equitable, adequate, affordable and quality health services. The most elementary public education service is basic education, which the government translates into a nine-year compulsory education program. The government wants to ensure that all children can go to school, so a large education and health budget allocation is needed. In fulfilling the budget, the mandate of the amendment to the 1945 Constitution has required the education budget allocation to be at least 20 percent of the total budget. Meanwhile, for the health sector, according to Law Number 36 of 2009 concerning Health, it has been mandated that the health budget is at least 5 percent of the state budget excluding salaries.

Government spending on the education and health sectors is fundamental in a region. According to Meier and Rauch (in Sanggelingorang, et al., 2015: 2) education or more broadly is human capital, which can contribute to development. This is because education is essentially a form of saving, leading to the accumulation of human capital and growth in aggregate output if human capital is an input in the aggregate production function. Health is the essence of welfare, and education is the main thing to achieve a decent life. The realization of the local government development expenditure of Palu City for the education sector in 2015 was only 8.57 percent and in the health sector only 2.85 percent of the total budget. In 2019 the allocation for the education sector is 8, 06 percent and the health sector 3.03 percent. This shows that the budget allocation for the education and health sectors has not met the target. Thus, the local government of

Palu City needs attention in its public policy in reducing the number of poor people in Palu City, which is shown by the seriousness of the local government in allocating pro-poor education and health budgets to support economic growth.

In a study conducted by Lee Jong Hwa on the relationship between economic growth and human development in the Republic of Korea in the period 1946-2002, it has been explained that the two indicators have a close relationship. Good economic growth can have a good influence on human development. On the other hand, improving the quality of human development can improve economic performance (Arsyad, 2018:16). According to Soebeno in Mailendra (2009:14) the relationship between economic growth and human development can be explained through a policy and government spending. The determining factor is government spending on the social sub-sector which is summarized in capital expenditures. The amount of these expenditures can indicate the size of the government's role in human development.

Several research results show that spending in the public sector is very useful for increasing human development. The results of Brata's research (2005), found that government spending in the education and health sectors has a positive influence on human development. The greater the expenditure allocation for the education and health sectors, the better the HDI will be achieved. Maria

(2011), shows that government spending in the education and health sectors will be able to affect poverty if these expenditures are made in order to improve the quality of human development. With the increase in the allocation of government spending in the public sector, it will also increase the productivity of the population. This increase in productivity, in turn, is able to encourage economic growth through increased human development which in turn has an impact on reducing poverty rates. Astri (2012), in this study shows the level of government spending Regions in the education sector have a significant influence on the HDI, where every change in local government spending in the education sector will be followed by a change in the HDI. Expenditures from the government on the health sector do not significantly affect HDI. Government spending on the health sector has no significant effect on HDI. Government spending on the health sector in Indonesia is still very low compared to other levels of government spending.

The success of economic development in the Palu City area can be seen from the high economic growth, with increased economic growth it is also expected to improve community welfare and increase human development with the Human Development Index (HDI) indicator. Therefore, it takes the government's seriousness in dealing with the problem of increasing human development in Palu City through government spending on the education and health sectors.

Based on the description of the research background above, the objectives of this study are:

1. To find out and analyze the effect of simultaneous economic growth and government spending on human development in Palu City.
2. To find out and analyze the effect of economic growth on human development in Palu City.
3. To find out and analyze the effect of government spending on human development in Palu City.

2. Literature Review

2.1 The Concept of Economic Growth

Economic growth is one indicator to see the performance of the economy, both at the national and regional (regional) levels. Economic growth is the development of activities in the economy that causes the goods and services produced by the population to increase. At the country level, all goods and services produced domestically are measured in the aggregate in the form of Gross Domestic Product (GDP). Economic growth can be measured by changes in the increase in real GDP in a certain period. At the household or individual level, economic growth can be measured by increasing household income or per capita income (Todaro and Smith, 2006).

Economic growth according to Arsyad (2018:13) is defined as an increase in Gross Domestic Product/Gross National Product regardless of whether the increase is greater or less than the population growth rate, or whether changes in economic structure occur or not. According to Prasetyo (2019: 237) The term economic growth is one of the macroeconomic indicators most often used by a country, especially developing countries.

Based on the description of some of the opinions above, it is concluded that economic growth is the process of increasing production capacity in an economy which is manifested in a form of increasing national income. Economic growth can be measured by Gross Regional Domestic Product (GRDP).

2.2. Government Expenditure Concept

Government spending is the value of spending made by the government that is used for the benefit of the community. Expenditures to be able to provide education and health facilities, expenditures for salaries of government employees and expenditures for infrastructure made for the benefit of the community.

Government purchases for goods and services can be classified into two. The main group is government spending for government consumption and investment (Sukirno, 2014:268). Government consumption is the purchase of goods and services that will be used to pay employee salaries, purchase office equipment and for government operational expenses. Government investment includes expenditures for the construction of facilities and infrastructure such as public roads, schools, provision of school subsidies and health.

2.3 Human Development Concept

Human development according to UNDP (*United Nations Development Program*) is a process to expand choices for the population. If it refers to this understanding, then the population is the ultimate goal of development, while development efforts are a means (*principal means*) for that purpose. In the concept of human development, development should be analyzed and understood from the human side, not only in terms of economic growth.

Human development is a development paradigm that places humans as the focus and ultimate goal of all development activities, namely the achievement of mastery over resources reflected in income to achieve a decent life, increasing health status as reflected in a long and healthy life, and improving education as reflected in literacy skills and skills to participate in society and economic activities (BPS, 2016). Based on this thinking, the main goal of human development is to be able to create an enabling environment for people to have a long, healthy, and productive life (BPS, 2018).

The concept of human development is measured using a three-dimensional approach to basic human beings, namely a long and healthy life, knowledge, and a decent standard of living. The dimensions of long and healthy life are represented by indicators of life expectancy at birth, average length of schooling. While the dimensions of decent living standards are represented by per capita expenditure. These three dimensions are summarized in a composite index that forms the human development index.

3. Research Methods

3.1 Types of Research

Based on the form of the problem, this research is classified as an explanatory research that examines the causal relationship between two or more phenomena. According to Nurastuti (2007:60), explanatory research is research that explains the relationship between variables by using a framework of thinking first and then it can be formulated in the form of a hypothesis. The purpose of explanatory research is to test a theory or hypothesis in order to be able to strengthen or even reject the theory or hypothesis of previous research results. in Palu City.

3.2 Data Collection and Retrieval Techniques

In the context of this study, the researchers chose to use secondary data from the publication of documentation from the Central Statistics Agency (BPS) of Palu City, the Financial Bureau of the Palu City Secretariat or the Regional Revenue Agency (Bapenda) of Palu City because in this study researchers only needed secondary data to see if there were any the effect of economic growth and government spending on the human development index (HDI) in Palu City for the period 2012-2020.

3.3. Variable Definition

To avoid errors in interpreting the research variables that are used as objects in this study, it is necessary to provide an explanation of the operational definition of each variable as follows:

1. Economic Growth (X1), in the context of this research, it is defined as the growth rate of GRDP in Palu City on the basis of constant prices according to the 2012-2020 business field which is expressed in percent units.
2. Government Expenditure (X2), in the context of this research, it means the amount of APBD expenditure of Palu City according to its function in the education and health sector for the period 2012-2020 which is expressed in rupiah.

3. The Human Development Index (Y), in the context of this study, is defined as a comparison of life expectancy, literacy, and a decent standard of living for residents according to components in Palu City for the period 2012-2020 expressed in percent units.

3.4 Data Analysis Techniques

Considering that this study aims to measure the role of independent variables on the dependent variable, it is used Multiple Linear Regression (*Multiple Regression*). Regression analysis is used to determine how much influence the independent variable has on the dependent variable. The general model of multiple linear regression according to Santoso, (2015:318) is formulated as follows:

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + \dots + \beta_n X_n + e$$

Where:

Y = Dependent Variable
a = Intercept
b1-bn = Regression Coefficient
X1-Xn = Independent Variable
e = Standard Error

The Formula above is modified according to the needs in this study, namely::

$$Y = a + \beta_1 X_1 + \beta_2 X_2 + e$$

Where:

Y = Human Development Index (HDI)
a = Constant (*Intercept*)
X₁ = Economic Growth
X₂ = Government Expenditure
 $\beta_1 \beta_2$ = Coefficient Regression
e = Error

1. F-Test (Simultaneous Test)

F-test, used to determine the significant effect simultaneously (simultaneously) between the independent variables on the dependent variable, with the following decision-making rules:

- a. If Sig-F > (0.05), it means that there is an insignificant effect between economic growth and government spending simultaneously on human development in Palu City at the 95% confidence level.
- b. If Sig-F < (0.05), it means that there is a significant influence between economic growth and government spending simultaneously on human development in Palu City at the 95% confidence level.

2. T-test (Partial Test)

The t-test was used to determine the partially significant effect between the independent variables (economic growth and government spending) on the dependent variable (human development) in Palu City, with the following decision-making criteria:

- a. If Sig-t > of (0.05), it means that there is an insignificant effect between the variables of economic growth and government spending partially on the human development index variable in Palu City at the 95% confidence level.
- b. If Sig t < of (0.05), it means that there is a significant influence between the variables of economic growth and government spending partially on the human development index variable in Palu City at the 95% confidence level.

3. Calculating the Coefficient of Simultaneous Determination (R²)

The value obtained from this calculation can be used to measure the contribution of the independent variables studied to the dependent variables. If the coefficient of simultaneous determination (R²) is close to one, it can be said that the contribution of the independent variable to the dependent variable is getting bigger. This means that the model used is getting stronger to explain the variation of the dependent variable. On the other hand, if it is close to zero, it can be said that the contribution the independent variable on the variation of the value of the dependent variable is getting smaller. In general, the magnitude of the coefficient of simultaneous determination (R²) is between 0 and 1 or $0 < R^2 < 1$.

4. Result and Discussion

4.1. Multiple Linear Regression Analysis Results

According to the results of Multiple Linear Regression analysis using a computer-assisted statistical program *SPSS For Wind Release22.0*, obtained the essence of research results from the effect of economic growth and government spending on human development in Palu City, with detailed results formulated in Table 2 below:

Tabel 1
Multiple Linear Regression Calculation Results

Model	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Std. Error	Beta	t	
1 (Constant)	.512	1.460		.488	.000
Economic Growth	.626	.042	.833	14.937	.000
Government Expenditure	.371	.019	.261	3.778	.009
Multiple R	= 0,987		F-hitung	= 111,798	
R-Squared (R ²)	= 0,974		Sig-F	= 0,000	
Adj.R-Squared (R ²)	= 0,965				

Sumber: Secondary Data Reprocessed 2021.

Based on the results of the multiple linear regression analysis in Table 2 above, when converted into the Multiple Linear Regression equation model, the following equation can be made:

$$Y = 0,512 + 0,626 X_1 + 0,371 X_2$$

The equation above shows that the independent variables (economic growth and government spending) analyzed have a positive and significant effect on human development in Palu City, with the following description:

1. The constant value in the multiple linear regression equation above is 0.512, giving the meaning of human development in Palu City before the economic growth and government expenditure variables were 0.512 or 51.2%.
2. The value of the regression coefficient of the economic growth variable (X1) with a coefficient of 0.626, indicating that economic growth has a positive effect on development. This means that the better the economic growth, the better the human development in Palu City.
3. The regression coefficient value of the government expenditure variable (X2) with a coefficient value of 0.371, indicating that government spending has a positive effect on human development. This means that the better government spending in the education and health sectors, the better human development in Palu City.

Based on Table 2 above, it can be seen that the value of the correlation coefficient (R) displayed in the model *Summary* that is equal to 0.987. This value can be interpreted that the relationship (correlation) of the independent variables (economic growth and government spending) to the dependent variable (human development) in Palu City is 98.7%.

The results of data analysis from this study indicate the magnitude of the influence of the independent variables simultaneously indicated by the value of the multiple determinant coefficient (*Adj.R-Square*) of 0.965 or 96.5%. This value indicates that the overall effect of the variable of economic growth and government expenditure on the human development variable is 65.0%. While the rest is the influence of other variables not examined, which can affect human development in Palu City.

4.2 Hypothesis Testing Results

Based on Table 2 from the calculation results obtained $F_{count} = 111.798$ at the level of significance = 0.05 or $Sig-F = 0.000 < \alpha 0.05$. Thus, economic growth and government spending simultaneously have a positive and significant effect on human development in Palu City (H_0 is rejected and H_1 is accepted).



For the economic growth variable, the calculation results show that the regression coefficient value is 0.626, while the significance level is 0.000. Thus the value of $\text{sig-t} < 0.05$ at the 95% confidence level. So it can be stated that the variable of economic growth has a positive and significant effect on human development in Palu City (H_0 is rejected and H_1 is accepted).

For the government expenditure variable, the calculation results show the regression coefficient value of 0.371 while the significance level is 0.009. Thus the value of $\text{sig-t} < 0.05$ at the 95% confidence level. So it can be stated that the government expenditure variable has a positive and significant influence on human development in Palu City (H_0 is rejected and H_1 is accepted).

5. Conclusions

1. Economic growth and government spending simultaneously (simultaneously) have a significant effect on human development in Palu City.
2. Economic growth has a significant effect on human development in Palu City.
3. Government spending has a significant effect on human development in Palu City.

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