

# CHAPTER I

## INTRODUCTION

### 1.1. Background

Development is absolute requirements for survival a country. Created the development is important things that must be done by a country with purposes to create conditions for the community to can enjoy environment that support for healthy life, long lives and live a life that productive. The development of human resources includes building basic capacity inhabitant of which will then enlarge a chance to get to participate in the development process. Basic capacity according to Todaro (2006) that also the three principal value economic development success is sufficiency (sustenance), identity (selfsteem), as well as freedom. Sufficiency in this is the ability to meet immediate needs basic which includes food, clothing, board, health, and security.

The basic function of economic activities is to provide as much as possible primary needs, on the basis of that is requirements the best economic success is the improving the quality of life all members of the community (Ginting, 2008). Central government as protector the state of Indonesia certainly has to be responsible for this, in which the development is trigger of economic growth across, but of course also if was done equitable in all regions in Indonesia.

Indonesian economy increased from time to time. Although faced with the economic crisis the world. The high level of national growth is not currently accompanied by the decrease poverty and the low level of human development. According to the BPS (2015) poverty level in Indonesia in 2014 reached 10,96 % and the economic growth level 6,38 % tending to undergo trend positive when the global economic crisis This showed that growth rate unusually high accompanied by the decline in poverty.

In addition Indonesia also faces problem others are low level of human development, this is a very important in creating equitable economic development or all Indonesians. Low human development can be seen from human development index(ranking)construction issued by the United Nations Development Program (UNDP). Human development in a country includes three dimensions are longevity and healthy, knowledge and a decent life be described in human development index (HDI). Human development is one of indicators for progress of nations where development in a country can not be successfully when just saw from grossdomestic income than increasing human development.

The government has various roles in the economy. Where government spending was consequences of various policies taken and applied. Government spending can be used as reflection policies taken by government in a territory. The government's policy in every purchase of goods and services to implementing a program that secrete big fund for implementing the program. Government spending used toimportant of public sectors, between all of public sector government priorities in achieving development the quality of human resources in relation which is seen from human development index was an investment in the education and health sectors expected of investment in this sector will have an influence on improving the quality of human resources and reduce poverty. Health development and education must be seen as an investment to improve quality of human resources, among others measured by HDI. To measuring HDI, health and education is one of the main components besides income.

Education and health is a fundamental development goals in the area. According to Meier and Rauch (in Gunadi Brata affairs, 2002) education, or more broadly is the human capital, can contribute to development. This is because of education are basically forms of savings, causing accumulation of human capital and growth output aggregate if humancapital being input in a production function aggregate. Health is the point of welfare, and education

is the principal thing to achieve a decent life. Education has an important role to shaping the ability of a developing country to absorb modern technology and to develop capacity in order to create the growth and sustainable development (Todaro, 2006).

Poverty will hinder individuals to consume nutrition, get good education quality and enjoy the environment support for healthy living. It will produce human resources lacking in quality, or can be said to have low levels of productivity. It also has an income of limited wages/they can get. So to progress this will influence the level of human development in an area.

Besides poverty is one important issue facing the government that affects human development in Indonesia. According to BPS 2014, the percentage of poor people in Indonesia is increasing about 0.26%. Increasing levels of poverty make individuals have no funds in compliance with their basic needs, one of which has a relationship with the process of human development. The problem of poverty is crucial that needs to be addressed by the governments of Indonesia.

Based on the background above it is interesting to discuss human development in Indonesia. In addition, in the research also will look at how government spending on education and health sectors as well as the influence of the population of the poor on the human development index in Indonesia during the period of 2010-2014.

## **1.2. Research Problem**

Based on the background described, then there is a problem formulation that can be taken as a research study that will be conducted. The formulation of the problem is needed as a way to take a decision of this study:

- 1) How the influence of government spending in the education sector to the human development index in Indonesia ?

2) How the influence of government spending in the health sector to human development index in Indonesia ?

3) How the influence of the population of the poor to human development index in Indonesia ?

### **1.3. Research Objectives And Research Advantage**

#### **1.3.1. Research Objective**

As for the purpose of writing thesis this is:

1. To know and assess the influence of government spending in the education sector to human development index in Indonesia.
2. To know and assess the influence of government spending in the health sector to human development index in Indonesia.
3. To know and assess the influence of the population of the poor to human development index in Indonesia.

#### **1.3.2. Research Advantage**

While the advantages of this research is as follows:

1. As a the study and additional knowledge the knowledge for students of the economic faculty in general and student the science of economics the construction in particular.
2. Can be used as the previous input source which is good for the government Indonesia in decision-making in the future and a reference.
3. Can be used as input for researchers another by type similar research.

### **1.4. Systematic Writing**

Systematic used to develop research is as follows:

Chapter I : Introduction

Chapter was part of the introduction of on the background underlying problem was selection this research, the formulation problem, objectives and uses research and systematic writing.

#### Chapter II : Literature review

This chapter contains about theories and previous research that provide the basis of this research, forethought theoretical framework and hypotheses.

#### Chapter III : Research methodology

This chapter explains variables used in research, operational and definitions, type and data sources, collection method and analysis method used in research.

#### Chapter IV : Overview of Indonesia

This chapter describes the overview of research object, such as overview about human development index, government spending on education, government spending on health, and poverty in Indonesia

#### Chapter V : Empirical Results and Analysis

This chapter explain about the output of the research and the analysis from the processed of data.

#### Chapter VI : Conclusions and Recommendations

This chapter consists of conclusion of the study and recommendation.

