CHAPTER VI

CONCLUSION AND RECOMMENDATION

This chapter will present some conclusions to the discussion and description of the variables studied. Then, from these conclusions, some suggestions that would be stated.

6.1. Conclusion

This study analyzes the relationship between human resources investment and economic growth in Indonesia. This study uses three variables, they are Gross Domestic Product (GDP) as the measurement of economic growth, Government Expenditure on Education and Government Expenditure on Health as the proxies of human resources investment. The method use in this research is VECM because of the result of unit root test shows that the variable stationary in the first difference. It is concluded that the Government Expenditure on Education and Government Expenditure on Health have a long run relationship with the GDP. It is prove by the result of cointegration test which is stated that there is a cointegration between the variable. The finding of this study in line with the previous studies by Stephen, Onyekachi and Samuel (2016).

The empirical results of unit root test based on Augmented Dickey Fuller test and Philip Peron shows that the variables are stationary in the first difference. In the fifth step, the Johansen co integration test was conducted. The presence of long run equilibrium found led to the use of Vector Error Correction Model (VECM).

It was estimated from the short run VECM that 1% increase in the government expenditure on education (TEDU), on the average, will lead to 5.33% increase in GDP. While, a 1% increase in the government expenditure on health (THEA) will cause a 1.03% decrease in GDP. Government expenditure on education has a positive relationship with GDP. This implies any increase in expenditure on education will contribute positively to the growth of the economy. However, any increase in government expenditure on health, contribute negatively to the growth of the economy. And it is concluded that both of independent variable have significant effect on economic growth either it was positive or negative.

6.2. Recommendation

Based on the findings, the recommendation are as follows:

1. From the result of this study, the policy implications are in three directions. They are: 1) To control the continuous long run relationship with GDP and human resources investment, effort should be made to harmonize the activities in the health and education sector with much attention on funding. The harmonization of the activities in these two sectors will have long run effect on the economy. 2) As one of the factors of human resources investment, government expenditure on education was found to positive effect on the economy in the short run. In the light of this, the government should try as well to meet up with a world standard benchmark on education expenditure in the annual budget. In so doing, this will improve on the economy in the long run. 3) Government expenditure on health was found to have a negative effect on the economy

in the short run. Therefore, effort should be made by government to address the agitations by the health workers, which always make them to resort to frequent strike actions. If these worrying issues are addressed, the instability experienced in the health sector will be solved. This will go the long way promoting the economy in the long run

2. Future Researcher - For the other researchers or students that have the same scope of the study, this study can be used the reference. But this study still has the limitation and this study still need some improvement. So, it is recommended for the next students to improve the study and increase the scope of research and try using other methods and variable or more variables used which made a positive effect on economic growth in Indonesia.