

CHAPTER I

INTRODUCTION

1.1. Background of the Research

Human resources is one factor in the dynamics of long term economic development. Along with science and technology, natural resources and manufacturing capacity located in the community. The four factors dynamics, must be seen in relation to their interaction with one another. However, among the roles that human resources are a primary concern. Especially in the economic development of developed countries where the human welfare is the purpose of a staple in the local economy.

Human resource development efforts is one of the development strategy. Not only economically, but also politically, development of human resources is considered as one of the strategies to overcome the problems of development that prepared more acceptable than the other production resources development strategies such as the provision of physical capital and the adaptation of advanced technologies (Elfindri, 2001)

But even more interesting is the human resource development has many benefits, the most beneficial is the value of externalities generated as a result of investments made for humans. This is one of the key dimensions of human development be made more attractive to developing countries. The participation of developing countries in human development be acceptable in addition to the participation of individuals, as well as among households and firms (Elfindri,

2001). Therefore, investment in improving the quality of human beings began to receive attention by governments, especially in developing countries.

Human development is more than economic growth, more than just an increase in revenue and more than just a process of commodity production and capital accumulation. The reason why human development need attention are : first, many developing countries including Indonesia can achieve high economic growth, but failed to reduce socio economic inequalities and poverty. Second, many countries that have a high income level did not succeed in reducing social problems, such as alcohol, drug abuse, homeless, AIDS, and domestic violance. Third, some of the low income countries are able to achieve a high level of human development because being able to use all resouces wisely to develop a basic human capacity. (Ginting, 2008)

The elements of human development is firmly underlined objectives to be achieved, is to live a healthy and long life, educated and able to enjoy a decent life. This means that human development aims to improve the welfare of the people associated with the quality of people and communities. Therefore, human is central to the development process.

To see the extent of development and human welfare, UNDP has issued an indicator of the Human Development Index (HDI) to measure the success of the development and prosperity of a country. The HDI is a benchmark figure the welfare of a region or country is seen by three dimensions : life expectancy at birth, literacy rate, mean years of schooling and purchasing power parity. Indicators of life expectancy to measure health, indicators of adult literacy rate and the average length of school education and the last measure of purchasing power indicators to

measure the standard of living. (United Nations Development Programme. UNDP, 1990)

One way that can be done to improve human development through policies and expenditures are made by government. In this case, the determining factor is the government spending on education and health sectors. The amount of spending on human development is indicative the amount commitment of government to improving the quality of human resources.(Dumairy, 1996)

Development can not be separated from economic growth, most of the opinion would of thought believes that the conclusion that almost all considered synonymous with economic development, as reflected in the goals of development. While economic growth is a function of investment, which means depending on the amount of capital and technology were planted and developed in the community. Investment is one of the important factors in determining the level of national income. Investment activity enables a society continually increase economic activity and employment, increase national income and the level of prosperity.

In the government's budget management are common attraction between investment in economic infrastructure (physical) and investment in social development. On the one hand, spending on infrastructure investment needed to facilitate economic growth, but on the other hand is also necessary investments to improve the quality of human resources. Successful human development is actually also provide positive benefits for economic growth through the availability of a qualified workforce. In other words, there is birelationship mentioned above between economic growth and human development (Ramirez,Rannis,Steawart, 1998).

Government spending on social sector and education also proved to have an important role as a link that determines the strength of the relationship between economic growth and human development, while the level of investment and income distribution is strengthening the relationship between human development and economic growth. The study explains that government spending and investment to give role in strengthening human development and economic development.

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 human capital being an 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)

In the case of Indonesia, as stated in the Indonesian Human Development report that in recent years the quality of human resources in Indonesia are relatively low compared to other ASEAN countries such as Philippines and Thailand, especially when compared with Malaysia and Singapore are categorized as High Human Development. Indonesia's human development progress has been very dependent on economic growth from the early 1970's until the last 1990's. The growth is possible for humans to allocate spending on health and education. Meanwhile, spending on health and education services are relatively few. While

investment in Indonesia, which is expected as capital to create new jobs that can improve the quality of human in Indonesia.

To see the effect of government spending, particularly in education and health on the Human Development Index (HDI) in Indonesia. Therefore, in taking the thesis which entitle **“The Effect Of Government Spending for Education and Health on Human Development Index at Provincial Level in Indonesia from 2011 - 2015”**

1.2. Research Questions

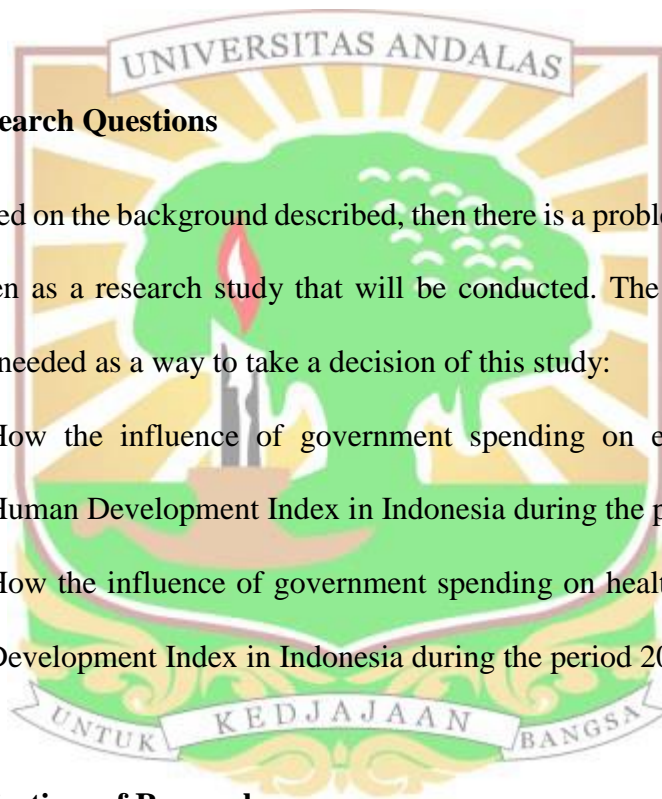
Based on the background described, then there is a problem formulation that can be taken as a research study that will be conducted. The formulation of the problem is needed as a way to take a decision of this study:

1. How the influence of government spending on education sector to Human Development Index in Indonesia during the period 2011-2015 ?
2. How the influence of government spending on health sector to Human Development Index in Indonesia during the period 2011-2015 ?

1.3. Objectives of Research

As for the purpose of writing thesis this is :

1. To analyze the effect of government spending on education to Human Development Index in Indonesia during the period 2011 – 2015.
2. To analyze the effect of government spending on health to Human Development Index in Indonesia during the period 2011 – 2015.



1.4. Benefits of Research

1. The results of this research can be input to the government in formulating economic policy related to the state budget.
2. The results of this study can be used to see the influence of government spending on education and government spending on health to human development index in Indonesia.
3. The results of this study are expected as additional information for readers in general and students in particular.
4. This result as a reference and benchmark for other researchers who want to investigate this problem by incorporating the determinants or other variables that influence the Human Development Index (HDI).

1.5. Systematic Writing

Systematic of this thesis consists of several chapters, as follows :

CHAPTER I : INTRODUCTION

This chapter discusses some of the elements such as background, formulation of the problem, the purpose and benefits of research also the systematical writing.

CHAPTER II : THEORETICAL FRAMEWORK AND LITERATURE REVIEW

This chapter will explain about the theoretical basis of the theories that are the main analysis of the issues to be addressed in this study. While literature review

explains the result of studies that have been performed for comparison and consideration in this thesis.

CHAPTER III : RESEARCH METHODOLOGY

This chapter explain the source of data that used in the study and also the methods of analysis to answer questions using formulas appropriate to the problems.

CHAPTER IV : AN OVERVIEW OF HUMAN DEVELOPMENT INDEX IN INDONESIA

This chapter will explain about each variables and relationship between variables.

CHAPTER V : EMPIRICAL RESULT AND ANALYSIS

This chapter will explain the research result of the study and its implication. Research results of a study on the influence of variables that entitled Government Spending for Health and Education on Human Development Index at Provincial Level in Indonesia from 2011 – 2015.

CHAPTER VI : CONCLUSION AND RECOMMENDATION

In this chapter will be descibed regarding the conclusion and policy suggestions on what the best ways to take the policy and improved in government sectors.

