CHAPTER VI

CONCLUSION AND RECOMMENDATION

6.1. Conclusions

This research aimed to analyse the effect of gross regional domestic product (GRDP), poverty, female labor force participation rate and gini ratio on human development index (HDI) in 33 provinces of Indonesia within the period 2012 – 2016. The conclusion of this research are listed below:

1. Based on the chow test, it can be seen that the FEM model is more appropriate to be used in this study than the PLS model. Testing the model with a hausman test shows that the FEM model is the most appropriate model to be used compared to the REM model. So from the selection of the most appropriate model chosen in this study is the Fixed Effect Model (FEM).

2. Gross Regional Domestic Product (GRDP) and Female Labor Force Participation Rate (FLF) have positive and significant influence on HDI. This is supported by the coefficient of GRDP which is 0.0000742. It's mean 1% increase of GRDP will increase 0.0000742% of HDI. Furthermore, the coefficient of FLF is 0.0008875. It's mean 1% increase of FLF will increase 0.0008875% of HDI.

3. Poverty (POV) and Gini Ratio (GR) have negative and significant influence on HDI. This is supported by the coefficient of Poverty which is -0.0041624. It's mean 1% increase of Poverty will decrease 0.0041624% of HDI. Moreover, the coefficient of GR is -6.935012. It's mean 1% increase of Gini Ratio will decrease 6.935012% of HDI.

6.2. Recommendations

Based on the conclusions of this research, we propose some recommendation as follows:

1. The government should make more effective policy in realizing the HDI to improve people's welfare. The government must provide equitable income in each region so that human development can increase. GRDP, decreasing poverty, increasing female labor force, and increasing gini ratio can increase HDI.

2. This research is expected to be a reference for the relevant agencies, such as Bappeda, Statistic of Indonesia and others to be wise in making regional development planning policies specifically concerning on HDI.

3. For further research, it is expected to be able to analyze other variables that influence the HDI, develop and expand the discussion for the perfect results of the study.

4. For the community, they should participate in efforts to upgrade their quality and productivity to help the improving level of HDI.