

# CHAPTER I

## INTRODUCTION

### I.1 Background

Human development is one of the indicators for the progress of a country. A country is said to be advanced not only calculated from gross domestic income but also includes aspect of live expectancy and community education. Conceptually, human development is an effort made to expand the opportunities of the population to achieve a decent living, which can generally be done through capacity building basis and purchasing power. On the practical level of basis capacity building is an effort to improve population productivity through increased knowledge and health status.

HDI is a measure to see the impact of regional development performance, because it shows the quality of the population of a region in terms of life expectancy, intellectuality and the decent standard of living. In development planning, Human Development Index also provides guidance for government in determining priorities in formulating policies and determining the program. The Human Development Index (HDI) is a composite index of education, health and purchasing indexes that are expected to measure the success rate of human development as reflected by well-educated, healthy and long-lasting, skilled and income-worthy citizens. Thus, HDI in a region will increase if all three elements can be improved, high HDI values indicate the success of economic development in the area. In other words, there is a positive correlation between the value of HDI and the degree of success of economic development (Tambunan, 2003).

Therefore, investment is needed to create source formation human power. In this case human capital can refer to education and also health. Education and health are a fundamental

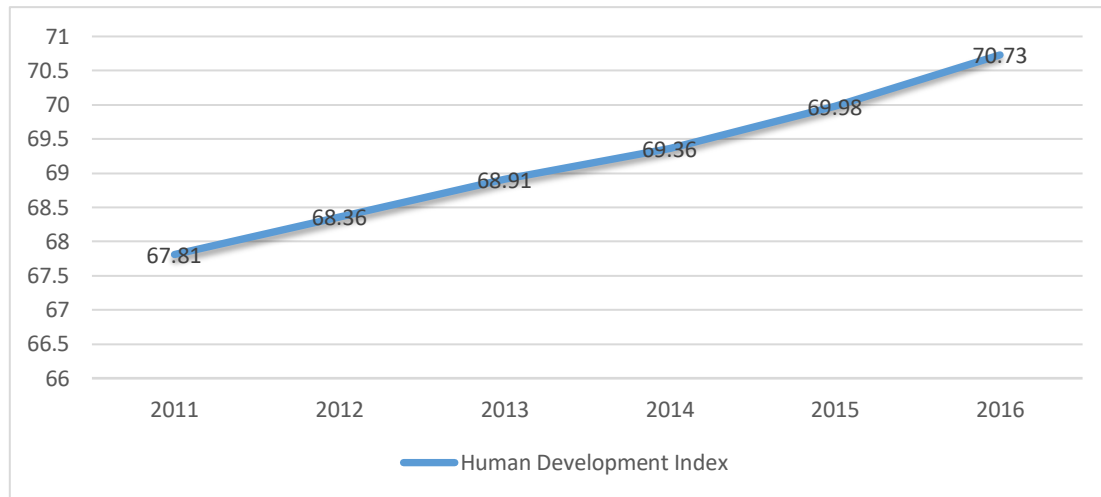
development goal in region. According to Meier and Rauch in 2012 education, or more widers is human capital, can contribute to development. This matter because education is essentially a form of savings, causing capital accumulation human and aggregate output growth if human capital is input in function aggregate production. Health is at the core prosperity, and education is a thing principal to achieve a decent life.

Improving the quality of sustainable human resources means a region has had fundamental resource development tough and can be used as one of the strengths to face various threats both from outside and coming from within the area own. One such threat is free trade, where Indonesia will conduct trade cooperation with other Asian countries known as the Asian Economic Community in 2015. So that, need a system and policy to improve the quality of good human resources.

Indonesia as a developing country undertakes development in all aspects of community life both in the economic, social, and sectoral. The role of government in development is by doing the development of education, health, and economy in improving the quality and welfare of the community and providing infrastructure and formulation of regulations for the process of development.



**Figure 1.1 Growth of Human Development Index in West Sumatera from 2011-2016**

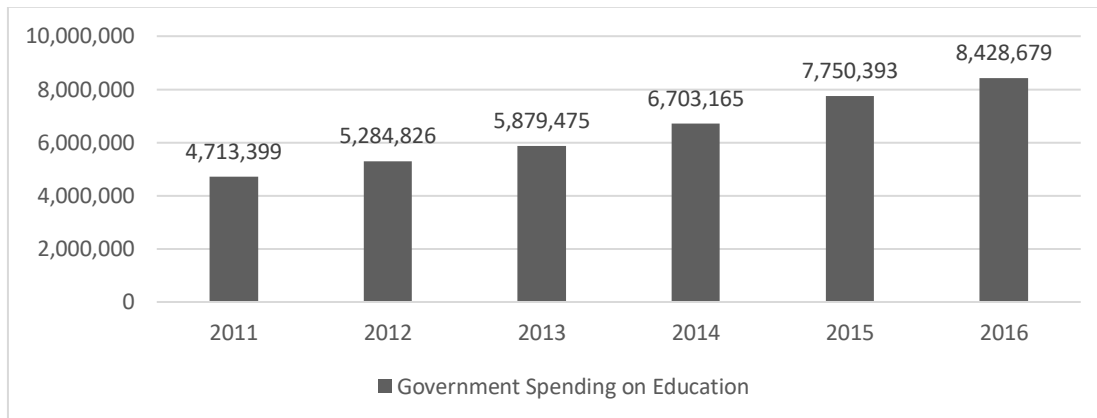


*Sources: Central Bureau of Statistics in West Sumatera*

Human Development Index (HDI) in West Sumatera from 2011 – 2016, increase from 67.81 in 2011 to 60.73 in 2016. HDI in West Sumatera increased in the last five years and always above the average of HDI in Indonesia, this means human development in West Sumatera has a pace positive in the future. In the long run of course the development of this HDI will improve human and economic skills in West Sumatera (BPS, 2016).

Education and health is a fundamental development goals in the area. This is because of education are basically forms of savings, causing accumulation of human capital and growth output aggregate if capital human being is input in a production function aggregate is at the core of health welfare, and education is the principal thing to achieve a decent life.

**Figure 1.2 Growth of Government Expenditure on Education in west Sumatra from 2011-2016**



*Sources: Central Bureau of Statistics in West Sumatera*

Data of government expenditure for education sector in West Sumatera Province from 2011-2016 as shown in figure 1.2 has increased annually, from 4.713.399 in 2011 to 8.428.678 in 2016. 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).

**Table 1.1 Government Expenditure on Education in Sumatra Province in 2015**

No.	Province	Government Spending on Education	Rank
1.	Aceh	1.391.847	2
2.	Riau	840.214	4
3.	Lampung	337.260	14
4.	North Sumatra	329.960	15
5.	Jambi	314.250	17
6.	South Sumatra	255.550	19

7.	Bengkulu	197.514	20
8.	West Sumatra	160.835	22

Source : Direktorat Jenderal Perimbangan Keuangan RI, 2011 – 2015

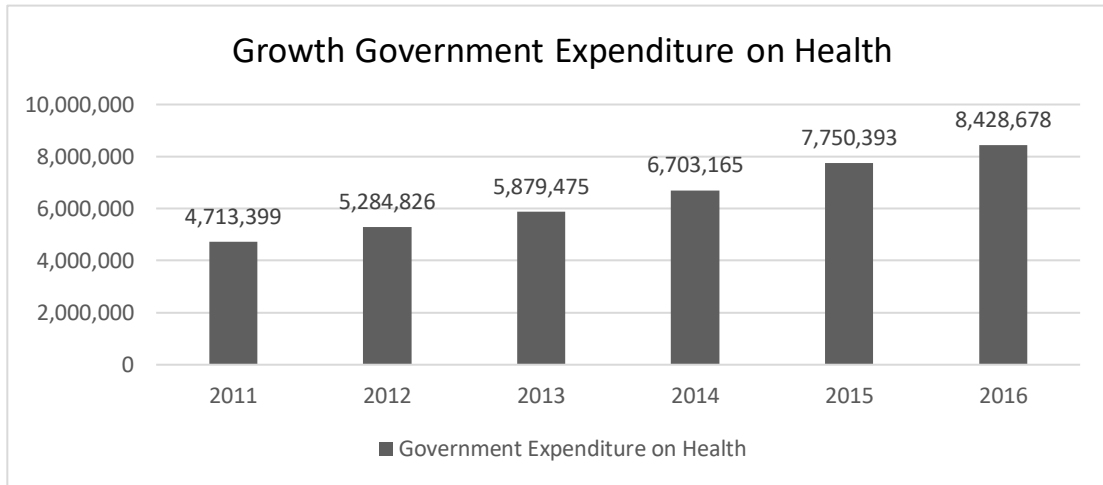
From table 1.1 shows the government expenditure on education from one of island in Indonesia that is Sumatera Island. Aceh is the highest rank of government expenditure on education out of all the province in Sumatra. West Sumatra is the last ranking for government expenditure on education that is ranking 22<sup>nd</sup>. Above that there are Riau on ranking 4, and the next is Lampung on the order of 14<sup>th</sup>, and after that there are North Sumatra, Jambi, South Sumatra and Bengkulu.

According to research by Haryanto (2005) suggests that the health sector, the rate of births attended medical personnel and the percentage of government spending for health give significantly affect to babies mortality.

In general, health shows that increased government spending on the health sector proved to be quite large to increase the performance of the sector. Large of the effect government expenditure to increase the performance of health, so need more efforts of the government to increase spending on the health sector. The low capacity of local budgets to increase the budget allocation to the health sector implications still have dominant central government as a source of financing.



**Figure 1.3 Growth Government Expenditure on Health from 2011-2016**



*Sources: Central Bureau of Statistics in West Sumatera*

Figure 1.3 shows that the growth of government expenditure on health in West Sumatra from 2011 – 2015, increase from 4.713.399 in 2011 to 8.428.678 in 2016. Government spending in education sector and health sector at province of West Sumatra in the year 2011 – 2016 continue to rise, with the highest increase occurring in 2016. This reflects the seriousness government of West Sumatra in promoting human development which reflected in the human development index (BPS, 2016).

**Table 1.2 Government Expenditure on Health in Sumatra Island**

No.	Province	Government Spending on Health	Rank
1.	Aceh	1.145.400	4
2.	Riau	672.800	10
3.	West Sumatra	472.634	11
4.	North Sumatra	398.538	13
5.	Lampung	394.500	14

6.	South Sumatra	366.025	17
7.	Jambi	337.641	19
8.	Bengkulu	307.530	20

Source : Direktorat Jenderal Perimbangan Keuangan RI, 2011 – 2015

From table 1.2 shows the government expenditure on health from one of island in Indonesia that is Sumatera Island. Aceh is the highest rank of government expenditure on health out of all the province in Sumatera. West Sumatera at 11<sup>th</sup> rank below Riau that is on ranking 10<sup>th</sup>, after that there is North Sumatra on the order of 13<sup>th</sup>, after that ranking 14<sup>th</sup> there is Lampung, South Sumatra on ranking 17<sup>th</sup>, after that Jambi and Bengkulu are on ranking 19<sup>th</sup> and 20<sup>th</sup>.

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 a relationship mentioned above between economic growth and human development (Ramirez, Rannis, Steawart, 1998).

Government that establish a particular policy have a consequences of cost to be incurred. These costs are funded from the budget government spending on the government. The budget allocated to a field indicates the government commitment to problems in the field. Government spending is used for finance important public sectors, among all public sectors at the moment this is the government priority in achieving quality development the human resources that are reflected from the human development index are investment in education and health.

The government today has a big role in allocation, distribution and stabilization. Local governments with great authority in the current era of autonomy should be able to utilize the allocation for the maximum welfare of the community. The appropriate local government fiscal policy through the Regional Revenue and Expenditure Budget are expected to increase the human development index in order to improve the people's welfare.

To see the effect of government spending, particularly in education and health on the Human Development Index (HDI) in West Sumatra. Therefore, in taking the thesis which entitle

**“The Effect Of Government Spending for Education and Health on Human Development Index in West Sumatra”**

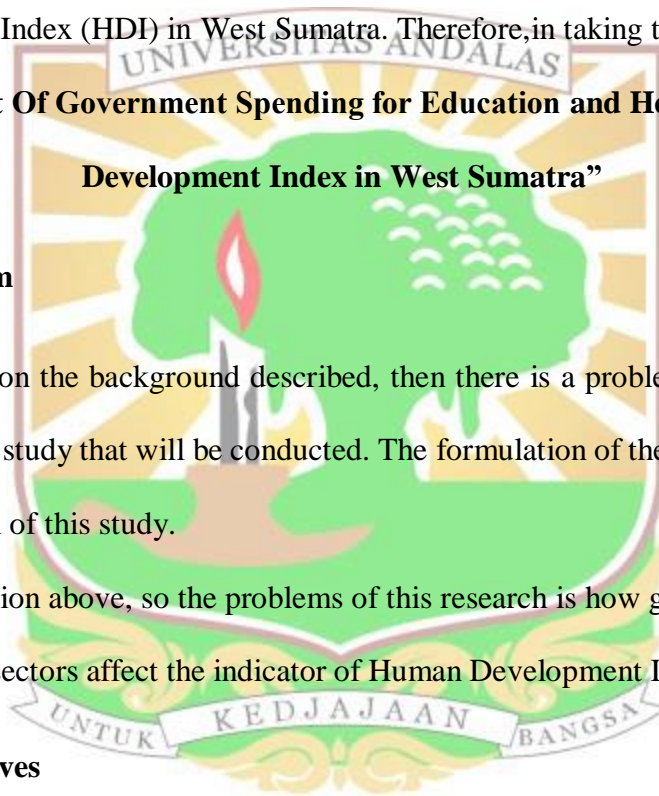
## **I.2 Research Problem**

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.

Based on the explanation above, so the problems of this research is how government spending on education and health sectors affect the indicator of Human Development Index in West Sumatera.

## **I.3 Research Objectives**

As for the purpose of writing thesis this is To analyze the effect of Government Spending on Education and Health to Human Development Index in West Sumatra during the period 2011 – 2016.





#### **I.4 Research Advantages**

This research is expected to be benefits for writer and be concerned for another parties. As for the benefits of this research include:

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 West Sumatra.
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 Writing Systematic**

The study consists of 5 chapters from introduction to the conclusion and recommendation.

The complete lists of this research as follows:

Chapter 1: Introduction

In this chapter includes background of research why choose this topic, research problem, research objective, research advantage, limitation of study in this study.

Chapter 2: Theoretical Framework and Review Literature

This chapter includes the answer of hypothesis with reference and review that connect with independent and dependent variable theory.

### Chapter 3: Research Methodology

This chapter explain about research methods, operational definition of the variables study, collection all data, source of data, method and data analysis method.

### Chapter 4: Research Finding

This chapter endwise of the outline result, discussion of description in object research, data analysis and description.

### Chapter 5: Conclusion and Recommendation

This chapter consists of conclusion of analysis carried out, suggestion, and implication arising from the conclusion of problem.

