

Role of human capital on regional economic growth in Indonesia

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Abstrak

The main purpose of this paper is to investigate the role of human capital in term of the share government expenditure on health sector to GDRP on regional economic growth in Indonesia. The method which used to examine the relationship between dependent and independent variables is cross-section OLS regression by regressing data into three parts, which are five years and ten years in order to see the impact of independent variables especially the share of government expenditure on health sector to GDRP on economic growth as a dependent variable at both of short term and long term. Data used on the regression process is from twenty-four provinces in Indonesia. There are in-relevances of data in two provinces, Aceh and Maluku. In these provinces, economic growth during period 1994-2003 is much less than other provinces. It can be caused by the conflicts and political situation in those provinces during that period. Therefore, this paper only regresses the data of 24 provinces by omitting Aceh and Maluku. In general, the share of government expenditure on health sector to GDRP is statistically significant in influencing economic growth, except at period 1994-1997 at the first estimation and period 1994-1999 at the third estimation. It can be caused by economic not conducive in 1997 condition that had been crisis, because of economic crisis.