P-ISSN : 2302-4313
E-ISSN : 2621-4199

Jurnal Manajemen dan Bisnis

Vol. 9, No. 2, December 2020, pp. 208-217

Sekolah Tinggi Ilmu Ekonomi Indragiri (STIE-I) Rengat

<https://journal.stieindragiri.ac.id/index.php/jmbi/issue/view/15>

THE EFFECT OF ECONOMIC GROWTH AND CAPITAL EXPENDITURE TO HUMAN DEVELOPMENT INDEX (HDI) IN INDRAGIRI HULU DISTRICT

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Submitted: 2020.01.14 Reviewed: 2020.12.07 Accepted: 2020.12.31

<https://doi.org/10.34006/jmbi.v9i2.158>

ABSTRACT

The purpose of this study is: To analyze the effect of economic growth and capital expenditure simultaneously on the Human Development Index (HDI) in Indragiri Hulu Regency. To analyze the effect of partial economic growth on the Human Development Index (HDI) in Indragiri Hulu Regency. To analyze the effect of capital expenditure partially on the Human Development Index (HDI) in Indragiri Hulu Regency.

This research was conducted at the Regency of Indragiri Hulu, which lasted approximately six months. The data obtained were analyzed using multiple linear regression, to test the effect between research variables.

From the results of the study found that if the variable Economic Growth (X_1) and Capital Expenditure (X_2) the value is 0, then the Human Development Index (Y). if Economic Growth (X_1) rises by one percent and capital expenditure (X_2) remains the Human Development Index (Y) decreases. if capital expenditure (X_2) increases by one percent and Economic Growth (X_1) remains the Human Development Index (Y) decreases. The relationship between the variable Economic Growth and Capital Expenditure on the Human Development Index (HDI) there is a strong and positive relationship. The Human Development Index (HDI) of Indragiri Hulu Regency is influenced by Economic Growth and Capital Expenditures. F test results show that simultaneous economic growth and capital expenditure do not significantly influence the human development index (HDI) of Indragiri Hulu Regency. And the partial hypothesis T test. Economic growth has a negative and not significant effect on the human development index in Indragiri Hulu Regency. Partial capital expenditure has no significant effect on the human development index of Indragiri Hulu Regency.

Keywords: *Economic Growth, Capital Expenditures, and Human Development Index (HDI)*

PRELIMINARY

A. Background

The Human Development Index (HDI) is a measure used to measure development success. The increase in the HDI value indicates that there is an improvement of quality human resources in an area. Resource humans are the subject and object of development, this indicates that Humans, apart from being actors in development, are also targets development. Thus, improving the quality of human resources is a very important element of development. To

measure HDI is determined by: health, education achieved, and standards life or often called economy. In measuring the dimensions of health used life expectancy at birth. Furthermore, to measure the dimensions of combined education from the indicators of the average length of schooling and the expected length of schooling. When measuring dimensions of a decent standard of living can use indicators of economic capability from people's purchasing power of basic needs as seen from the average amount expenditure per capita in achieving a decent life. Indragiri Hulu Regency is an autonomous region in Riau Province, which consists of: 14 districts. The majority of the people of Indragiri Hulu Regency make a living as farmer

Human Development Index (HDI) is influenced by (Mirza, 20:110)

a. Poverty

Poverty is closely related and participates in determining the development process that prioritizes community participation. The development paradigm which is now shifting from the domination of the role of the state to the role of the community will not be realized if the number of poor people is still quite significant. This is because, in general, the poor spend more of their energy and time on meeting basic needs. They are not interested in engaging in activities that are not directly related to the fulfillment of basic needs. The results of this study make it clear that the higher the population of the poor will suppress the level of human development, because the poor have low purchasing power.

b. Economic Growth

The increasing economic growth, the higher the growth of output per capita and changing consumption patterns in this case the level of people's purchasing power will also be higher. The high purchasing power of the people will increase the Human Development Index because people's purchasing power is one of the composite indicators in the HDI which is called the income indicator. It can be concluded that the higher the economic growth, the higher the Human Development Index.

c. Capital Expenditure

The relationship between capital expenditures and the Human Development Index is very close where the policies made by the government to improve the quality of human resources are based on the idea that education is not only preparing students to be able to enter the job market, but more than that, education is one of the character development efforts. nation (national character building) such as honesty, justice, sincerity, simplicity and exemplary

Capital expenditure activities can be regarded as investment activities carried out by local governments, but even so, capital expenditure activities in local governments do not aim to seek profit. The measure of the success of each capital expenditure activity is the quality provided as expected, something produced in accordance with the required amount, the implementation of capital expenditure activities in accordance with the specified time, capital expenditure activities leading to the public interest, and the costs incurred for these activities. capital expenditures should not exceed the previously determined budget (Halim, 2014:228)

Capital expenditures are expenditures made in the framework of capital formation which are in nature to increase fixed assets/inventory that provide benefits for more than one accounting period, including expenditures for maintenance costs which are to maintain or increase the useful life, as well as increase the capacity and quality of assets. (Government Accounting Standards)

Framework

The framework of thought in this research can be described as follows :

Figure 1: Framework

- H1: Shows the influence of Economic Growth and Capital Expenditure Simultaneous to the Human Development Index (HDI) in the District Indragiri Hulu.
- H2: Shows the partial effect of Economic Growth on the Human Development Index(HDI) in Indragiri Hulu Regency.
- H3: Shows the partial effect of capital expenditure on the Human Development Index (HDI) in Indragiri Hulu Regency.

RESEARCH METHODS

Classical Assumption Test

The classical assumption test is a data analysis requirement to determine whether or not the data is appropriate for analysis using statistical techniques. If the analysis requirements are not met, then the application of statistical techniques is not feasible to analyze the data with statistical techniques, so the results of the study are biased and give wrong conclusions. The test requirements for multiple linear regression are commonly referred to as classical assumption tests. In performing hypothesis testing using multiple linear regression statistics, the classical assumption requirements are described as follows:

a. Autocorrelation Test

The autocorrelation test aims to test whether in the regression model there is interference between one observation period and previous observations. Autocorrelation test, where the average disturbance is equal to zero, meaning that this assumption requires the model used to accurately describe the average dependent variable in each observation. In other words, if the error in each observation will have an average equal to zero. The presence of autocorrelation can be detected using a statistical test from Durbin-Warson.

The decision whether there is autocorrelation:

- 1) If the value of $dU < DW < 4 - dU$, it means that there is no autocorrelation.
- 2) If the value of $DW < dL$, it means that there is a positive autocorrelation

- 3) If the value of $dL < DW < dU$, it cannot be concluded that this model has positive autocorrelation symptoms.
- 4) If the DW value is $> 4 - dL$, it means that there is a negative autocorrelation.
- 5) If the value of $4 - dU < DW < 4 - dL$, it cannot be concluded.

b. Multicollinearity Test

The multicollinearity test aims to test whether there is a correlation between the independent variables in the regression. If there is a fairly high correlation between independent variables, then multicollinearity occurs. A good regression model should not have a correlation between the independent variables. Multicollinearity test is carried out through the tolerance value with Variance Inflating Factor (VIF) with the following criteria:

- 1) If $VIF > 10$, it means that there is multicollinearity among the independent variables.
- 2) If $VIF < 10$, it means that there is no multicollinearity between the independent variables.

c. Heteroscedasticity Test

The heteroscedasticity test aims to test whether the regression model has an inequality of variance from the residuals of one observation to another. Heteroscedasticity will occur if the variance of the disturbance does not have the same distribution so that the model that has been made becomes less efficient. This test uses the Spearman rank correlation coefficient, which is to correlate the absolute residual of the regression results with all independent variables. If the significant correlation result is less than 0.1 (10%) then the regression equation contains heteroscedasticity. A good regression model is expected not to contain heteroscedasticity.

d. Data Normality Test

The data normality test is used to determine whether the data population is normally distributed or not. A good regression model is a normal or close to normal data distribution. Normal detection is done by spreading the data (points) on the diagonal and graph axes. Decision making basis:

- 1) If the data spreads around the diagonal line and follows the direction of the diagonal line, then the regression model fulfills the assumption of normality.
- 2) If the data spreads away from the diagonal line and does not follow the direction of the diagonal line, then the regression model does not meet the assumption of normality.

Multiple Linear Regression Analysis

The data analysis that the writer uses is a quantitative approach, so the writer uses multiple linear regression. In this case, the data obtained is then processed with the help of the SPSS program and analyzed using the multiple linear regression method, namely:

$$Y = a + b_1X_1 + b_2X_2 + e$$

Where:

Y = Regional Original Income (PAD)

a = Constant, the value of Y when X=0

b1 = Regression coefficient of variable X1

b2 = Regression coefficient of variable X2

X1 = Gross Regional Domestic Product (GRDP)

X2 = Total Population

e = Error

Multiple linear regression equation is used to describe the model of the relationship between the independent variable and the dependent variable. This regression equation makes the value of the constant or intercept the value of the regression coefficient or slope and the independent variables.

RESEARCH RESULTS AND DISCUSSION

1. Classical Assumption Test

a. Autocorrelation Test

Model Summary ^b	
Model	Durbin-Watson
1	1,270

a. Predictors: (Constant), Capital Expenditure, Economic Growth

b. Dependent Variable: HDI

Source : Output SPSS.23

it can be seen that the Durbin-Watson value is 1.270 or more is smaller than 1.7771 then among the independent variables in the regression equation model is not autocorrelation symptoms

b. Multicollinearity Test

Coefficients ^a			
Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Economic Growth	,798	1,254
	Capital Expenditure	,798	1,254

a. Dependent Variable: HDI

Source : Output SPSS.23

It can be seen the VIF value of the Economic Growth variable and capital expenditure is less than 10. This shows that this is not the case symptoms of multicollinearity in the variables of this study.

c. Heteroscedasticity Test

The results of the heteroscedasticity test show the distribution of plots in scatterplot is irregular or does not form a certain pattern that is neat and regular. Therefore, in this study there were no symptoms of heteroscedasticity

d. Normality Test

Normal P-P Plot of Regression Standardized Residual

Based on the results of the PP Plot test, it can be seen the distribution of residues from the research data are around the regression line and are regularly distributed not away from the regression line. This shows that the variables used in the study are scattered normally.

Multiple Linear Regression Analysis

Coefficients^a

	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	68,753	,583		117,930	,000
Pertumbuhan Ekonomi	-,003	,001	-,708	-2,247	,075
Belanja Modal	-,003	,007	-,135	-,428	,686

a. Dependent Variable: HDI

Source : Output SPSS.23

$$Y = 68,753 - 0,003X_1 - 0,003X_2$$

The regression equation above can be explained as follows::

- a. Constant of 68.753
meaning that this constant value indicates that if the Growth variable Economy (X1) and Capital Expenditure (X2) the value is 0, then the Human Development Index (Y) value is 68,753.
- b. The regression coefficient of your Economic Growth variable (X1) is 0.003
This means that if Economic Growth (X1) increases by one percent and capital expenditure (X2) still Human Development Index (Y) decreased by 0.003.
- c. The regression coefficient of the Consumer Attitude variable (X2) is 0.003
This means that if capital expenditure (X2) has increased by one percent and Growth If the economy (X1) remains constant, the Human Development Index (Y) decreases by 0.003.

Correlation Coefficient and Determinant Coefficient

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	,778 ^a	,605	,447	,99197	1,270

a. Predictors: (Constant), Capital Expenditure, Economic Growth

b. Dependent Variable: HDI

Source : Output SPSS.23

- a. Multiple Correlation Coefficient (R)
The R value or correlation is 0.778, then the relationship between the variables of Economic Growth and Capital Expenditure on the Human Development Index (HDI) there is a strong and positive relationship.
- b. Determinant Coefficient (R²)
The value of R square or the determinant coefficient is 0.605 meaning that 60.5% change in the Human Development Index (HDI) of Indragiri Regency Upstream is affected by Economic Growth and Capital Expenditure. While 39.5% influenced by other factors not examined in this study

2. Hypothesis Testing

a. F Test

ANOVA^a

Model	Sum of Squares	df	Mean Square	F	Sig.
1 Regression	7,526	2	3,763	3,824	,098 ^b
Residual	4,920	5	,984		
Total	12,446	7			

a. Dependent Variable: HDI

b. Predictors: (Constant), Capital Expenditure, Economic Growth

Source : Output SPSS.23

F_{table} : 5,14

F_{count} : 3,824

Significant : 0,098

It is known that the significant value is $0.098 > 0.05$ then it can be interpreted that the variable has no significant effect on the variable bound. While the results of the F test showed that $F_{count} < F_{table}$ ($3.824 < 5.14$).

b. T test

Coefficients^a

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	68,753	,583		117,930	,000
Economic Growth	-,003	,001	-,708	-2,247	,075
Capital Expenditure	-,003	,007	-,135	-,428	,686

a. Dependent Variable: HDI

Source : Output SPSS.23

t_{table} : 2,45

$t_{count} X_1$: -2,247

$t_{count} X_2$: -0,428

Significant X_1 : 0,075

Significant X_2 : 0,686

1) Effect of Economic Growth on Human Development Index

It is known that the significant value of the variable X_1 shows greater than 0.05 ($0.075 > 0.05$) this means that based on Economic Growth decision criteria partially have no effect significant to the Human Development Index of Indragiri Hulu Regency. Meanwhile, based on the test criteria, it shows that $t_{count} < t_{table}$ ($-2,247 < 2.45$).

2) Effect of Capital Expenditure on Human Development Index

It is known that the significant value of the X_2 variable shows greater than 0.05 ($0.686 > 0.05$) this means that based on the criteria capital expenditure decisions partially have no significant effect on the human development index of Indragiri Hulu Regency. While based on the test criteria show that $t_{count} > t_{table}$ ($-0.428 < -2.45$).

CLOSING

Conclusion

This means that the value of this constant indicates that if the variable Economic Growth (X1) and Capital Expenditure (X2) the value is 0, then the Human Development Index (Y). if Economic Growth (X1) increased by one percent and capital expenditure (X2) remained Human Development Index (Y) is declining. if capital expenditure (X2) increases by one percent and Economic Growth (X1) remains, the Human Development Index (Y) decreases. R or correlation is 0.778, then the relationship between the variables of Economic Growth and Expenditure Capital to the Human Development Index (HDI) there is a strong and positive relationship. The value of R square or the determinant coefficient is 0.605, meaning 60.5% change in The Human Development Index (HDI) of Indragiri Hulu Regency is influenced by Growth Economy and Capital Expenditure. While 39.5% is influenced by other factors that are not investigated in this study. The results of the F test show that the simultaneous growth of economy and capital expenditures have no significant effect on the human development index (HDI) Indragiri Hulu Regency. And partial hypothesis T test. Growth The economy has a negative and insignificant effect on the human development index in Indragiri Hulu Regency. Capital expenditure partially does not have a significant effect on the human development index of Indragiri Hulu Regency.

Suggestion

It is recommended to the Regional Government of Indragiri Hulu Regency to improve the quality of people's lives by taking into account the factors that have a direct effect on the human development index in order to achieve the vision Indragiri Hulu prosperous 2021. Researchers suggest to further researchers to expand the variables so that the Human Development Index (HDI) of Indragiri Regency Hulu can increase every year

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