

## **ABSTRACT**

*Several developing countries categorized as frontier economies have humanitarian problems, scarcity of financial resources, and poor institutional quality. However, these countries still have the potential to grow and achieve development at some point. This study aims to analyze the influence of financial resources and institutional quality on human development in 16 frontier economies in 2002–2021.*

*This study analyzes the long-term and short-term effects of government spending, FDI, ODA, remittances and institutional quality. Institutional quality based on the World Governance Indicators (WGI) used in this study only includes voice and accountability, political stability and absence of violence/terrorism, government effectiveness, regulatory quality, and control of corruption. This study uses the PVECM analysis model.*

*The results of the study indicate that in the long term, the variables FDI, ODA, and voice and accountability have a positive effect on the HDI. Meanwhile, the variables political stability and absence of violence/terrorism and government effectiveness have a negative effect on the HDI. The results of the short-term analysis indicate that the variables FDI at lag 2, voice and accountability at lag 2, and political stability and absence of violence/terrorism at lag 1 have a positive effect on the HDI. Meanwhile, the variables political stability and absence of violence/terrorism at lag 5 and control of corruption at lag 5 have a negative effect on the HDI.*

*Keywords: Human Development Index, Financial Resources, Institutional Quality, Frontier Economies*

**JEL: O15, O16, O43**