

## ABSTRACT

*Indonesia's national development goals aim to build a prosperous and just society, but progress is hindered by persistent inequality, poverty, and limited human resources. The Human Development Index (HDI), which reflects various aspects of well-being beyond economic growth, is a key tool to evaluate development quality. This study explores the impact of the Physical Special Allocation Fund (DAK) on Indonesia's HDI, focusing on poverty rate, GRDP at constant prices, and the health and education sectors.*

*Using panel data regression with a Fixed Effect model, the study analyzed data from 10 provinces between 2020 and 2023. Variables included poverty rates, GRDP (constant prices), and physical DAK in health and education. EViews 10 was used for data processing, with Chow and Hausman tests guiding model selection, and classical assumption tests applied to ensure model validity.*

*The results show that physical DAK in education has no significant impact on HDI, while physical DAK in health negatively affects it. Poverty rate has a significant negative effect, and GRDP (constant prices) positively influences HDI. Collectively, the independent variables significantly impact HDI, with the model explaining 97.51% of its variation. These findings underscore the importance of effective fund allocation and integrated policy strategies to strengthen human development.*

**Keywords:** *Human Development Index, Physical Special Allocation Fund, Education Sector, Health Sector, Poverty Rate, Gross Regional Domestic Product, Indonesia.*