ABSTRACT

Human development is an indicator to achieve the progress of a country. The human development index is a composite index to measure the achievement of human development based on a number of basic components of quality of life. Economic growth is one indicator of a country's development. Economic growth is the key to poverty production in a region, where economic growth means an increase so that it adds jobs which in turn will reduce poverty. So that when the amount of goods produced increases, the welfare of society and the human development index will increase. This study aims to see how the effect of economic growth on the human development index and to see the factors that influence economic growth and the human development index in Indonesia.

This study uses secondary data sourced from the BPS Indonesia. The data analysis in this study is panel data, which is cross-section data consisting of 34 provinces in Indonesia and time-series from 2013-2018 using Eviews8 software. In estimating the regression model in this study using the Two Stage Least Square (TSLS) method with Structure Equation Model (SEM).Endogenous variables in this study are economic growth and human development index, and exogenous variables in this study are government expenditure, investment, population, and poverty.

The results of this study indicate that the first equation (HDI), the variable economic growth, government expenditure, investment, population and poverty have a significant effect on the human development index. In the second equation (PE), the variables of government expenditure, investment, population and poverty have a significant effect on economic growth.

Keywords: Human development index (HDI), economic growth, Two Stage Least Square (TSLS), Structure Equations Model (SEM)