RETHINKING OF LOCAL AUTONOMY AND FISCAL DECENTRALIZATION POLICY: CAN IT IMPROVE THE QUALITY OF HUMAN CAPITAL? A CASE IN EASTERN REGION OF INDONESIA

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Abstract

Purpose
This study aims to see the effect of regional autonomy and fiscal decentralization in the fields of education, health, and the economy in the development of human resources in Eastern Indonesia.

Design/methodology/approach
This study uses a quantitative approach with panel data regression utilizing data from 16 provinces in Eastern Indonesia from 2010-2019.

Findings
According to the results, the development of human resource quality is influenced by government spending on education, health, and GRDP per capita. However, the study reveals that capital expenditure does not play a significant role in the enhancement of human resource quality.

Research limitations/implications
One shortcoming of this research is its lack of detailed information regarding how capital expenditures, education expenditures, and health expenditures are distributed across various local governments.

Originality/value
This study shows the impact of fiscal decentralization and regional autonomy by comparing the results gap that occurs between the western and eastern regions of Indonesia on human resource development

Keywords: fiscal decentralization, human development, local autonomy policy, economics development

HOW TO CITE

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1. INTRODUCTION

Every independent nation certainly has a national goal that will be achieved and realized. It has been stated explicitly in the Preamble to the 1945 Constitution that the purpose of the Indonesian nation is to advance public welfare, educate the nation's life, and participate in carrying out world order. This will be achieved if all elements work hand in hand to realize the ideals of the nation. As the subject of development, quality human resources will make the nation's goals closer to being realized. Diverse programs and activities can be implemented to enhance human resource quality, such as through public services, healthcare, housing, employment, environment, and more, aiming to support overall improvement.

In order to improve public services and accelerate the welfare of the people throughout Indonesia, through the Decree of the People's Consultative Assembly (TAP MPR) Number XV/MPR/1998 concerning the Implementation of Regional Autonomy; Equitable Arrangement, Distribution, and Utilization of National Resources; As well as Central and Regional Financial Balance within the Framework of the Unitary State of the Republic of Indonesia, coupled with the existence of Law no. 32 of 2004, local governments have the authority to regulate their regions based on the principle of co-administration task (medebewind) and autonomy that has been given. The government's administrative framework, which includes the implementation of Regional Autonomy, incorporates the principles of decentralization, co-administration task (medebewind), and deconcentration in alignment with relevant laws and regulations. This transfer of government responsibilities from the Central Government to autonomous regions grants the regions the authority to regulate fiscal matters, commonly known as Fiscal Decentralization. In relation to the goals of the Indonesian nation, fiscal decentralization has an important role in achieving these goals, especially in financing various programs to enhancing human resource quality and fostering development through effective allocation of regional funds.

The implementation of Fiscal Decentralization and Regional Autonomy in Indonesia has the potential to act as a catalyst for accelerating human resource development. According to Todaro (2011), the process of economic development is considered a crucial phase that must be accomplished in order to enhance the well-being and living standards of individuals. Additionally, according to Todaro, without a sustainably growing economy at both the individual and aggregate levels, endeavors to maximize the quality of human resources will not be pursued. The form of economic progress at the community level is illustrated through the GRDP per capita. In addition to Barro's (1991) perspective, he further highlighted the potential for enhanced economic output by minimizing transaction costs, enhancing the caliber of human resources, and bolstering productivity through government capital expenditure.
It is known from the picture shown above, the HDI for Eastern Indonesia has a lower value compared to Western Indonesia. Based on data obtained from the Central Statistics Agency (BPS), Indonesia’s Human Development Index in 2019 reached 71.92, which means it is in the high category. By the year 2015, a total of 8 provinces were categorized as having a high level of human development at the provincial level, namely: DKI Jakarta, Bali, DI Yogyakarta, Bali, East Kalimantan, Banten and North Sulawesi. There are no provinces in Indonesia that fall into the category of Very High human development status, 26 other provinces are spread to the status of human development with Medium and Low Categories with a position in 2015, Indonesia has 34 Provinces.

During the 2010-2019 period, the average spending on health, education and capital spending in the Western Region of Indonesia spent IDR 4,516,295,378,830 with a population composition of 204,179,367. Meanwhile, in the Eastern Region of Indonesia, expenditure for the same category spent a total of IDR 1,892,816,392,600 with a population composition that was smaller than that of the Western Region of Indonesia, which was 50,836,267. From the existing data, it can be interpreted that on a per capita basis, residents of the Western Region of Indonesia have received Rp. 22,119 from the expenditure of the three sectors over the last 10 years. Meanwhile, residents of Eastern Indonesia get a higher per capita figure of IDR 37,234.

With a higher per capita figure, ideally Eastern Indonesia can optimize this in terms of the quality of human development. However, up to 2019, provinces with below national HDI rates were still dominated by the Eastern Region of Indonesia rather than the Western Region of Indonesia during the 2010-2019 period. 9 out of 17 provinces in the Western Region of Indonesia have HDI values that are always above the national level in 2010-2019. Different conditions are shown by the provinces that occupy the Eastern Indonesia Region.
From 2010 to 2019 there were only two (2) provinces which always had HDI scores above the national one. The provinces are East Kalimantan Province and North Sulawesi Province. Meanwhile, 10 other provinces still do not have an HDI score above the national one.

It is hoped that the fiscal decentralization and regional autonomy policies that have been implemented can accelerate the process of regional development, including human development. We all know that the importance of the quality of human resources for development. The return on investment from human capital will surpass that of physical capital significantly. Schultz (1989) proposed that specialization, human capital, and productivity share a direct correlation. The rapid post-World War II recovery of Germany and Japan was attributed to well-educated populations and favorable health conditions which meant that the quality of human resources they had was good. However, the reality on the ground is that the HDI in Eastern Indonesia has a low HDI value compared to Western Indonesia and also nationally. With the autonomy granted to regional governments, it is expected that through strategic investments in education, health, and capital expenditure sectors, they can effectively expedite human resource development within their respective regions. Consequently, examining the impact of fiscal autonomy and decentralization policies in the regions, particularly focusing on local government expenditures in the education, health, and capital expenditure sectors, and GRDP per capita, on the development of human resource quality in the Eastern Indonesia Region, emerges as a captivating and significant research topic. With this research, it is hoped that later the existing conditions will be known, including inputs that may be followed up by stakeholders as a form of improving existing performance.

2. LITERATURE REVIEW

2.1. Fiscal Decentralization

Fiscal Federalism is a theory that provides a discussion of the functions of the public sector and appropriate instruments for the implementation of the functions of the central government, so that authority needs to be handed over to local governments (Hanke, 2006). Given this, the decentralized government structure has the power to regulate its own area or is called regional autonomy. The introduction of decentralization aims to expedite and prioritize the provision of public services, thereby
influencing both the welfare of individuals and economic growth in the hopes of meeting the needs of the community more efficiently. Chandra Jha (2015) links the theory of fiscal federalism which states that it is very possible for the government through the allocation function in decentralization to provide efficient and fair provision for community needs.

The concept of fiscal decentralization, as explained by Khanal (2018), entails the central government bestowing the regions with the authority to govern and oversee fiscal resources. The expectation is that handing over the management of fiscal resources to regional governments will lead to the provision of public services that are more effectively optimized. What then needs to be considered is the direction of the form of fiscal decentralization in the form of public budget efficiency by local governments because there are adjustments that can be made between regional and community needs (Khanal, 2018). Public services can be optimal and useful when the existing budget can be fully utilized effectively and efficiently which also leads to reducing fiscal gaps both vertically and horizontally.

The Regional Revenue and Expenditure Budget (APBD) serves as the annual financial blueprint for regions, reflecting the trajectory of regional development and providing vital support in determining the direction of growth and progress. One of the components contained in the APBD is Regional Expenditure, which then becomes a component to fund the implementation of all government affairs in the region. Regional expenditures that have been allocated can be used according to government affairs which are mapped based on regional potential and regional needs. Expenditures for the mandatory affairs category will be directed at increasing the degree of quality of life of the community by increasing social facilities, health and education sector services, public facilities, and also optimizing the social security system for the community (Khusaini, 2018).

2.2. Public Sector Expenditure and Human Development

Experience from developed countries and the findings of academic studies explain a lot about the importance of investing in human resource development. Health services, training, child care, and education can all encourage the improvement of human resource quality standards (Becker, 1993). Schultz (1989) stated that improving quality and knowledge can increase sources of wealth and income. Furthermore, human capital can be said to be equivalent to other types of capital that can be used to increase quality and production levels through education and training carried out (Krasniqi, Florentina Xhelili; Topxhiu, 2016). Human capital will have a much higher rate of return than physical capital. Specialization, human capital, and productivity according to Schultz (1989) have a linear relationship with one another. Highly educated populations and good health were also cited as the main factors for the quick recovery of Germany and Japan after World War II.

According to Amartya Sen, “a person's functional capacity plays the biggest role in determining whether or not a person is poor. Furthermore, Sen also argues that development should place more emphasis on initiatives aimed at improving the quality of life and freedom rather than economic growth alone as the main goal” (Todaro & Smith, 2011). Sen stated that human welfare can be described by getting better, which means being healthy, being able to dress properly, living long, being literate, and having access to consuming nutritious food, (Todaro & Smith, 2011). The Human Development Index is an indicator to measure the success of the quality of human resource development in the world. Which dimensions of the Human Development Index consist of 3 (three), namely, knowledge, longevity and healthy living, as well as
a standard of life. A nation attains a superior level of human development when it exhibits elevated average length of schooling, expected length of schooling, per capita income, and life expectancy, while maintaining comparatively lower rates of fertility and inflation. (Shah, 2016). Decentralization which is then implemented, managed, and utilized with the right target will make positive improvements to the process of implementing human development, including in terms of community welfare (UNDP, 2004).

Previous empirical research regarding human development has been carried out quite a lot in various countries. Fadilah et al., (2018) conducted a research study in East Java Province, Indonesia, investigating the influence of government spending on the economy, infrastructure, health, and education on the education index, health index, and economic index. The findings of this study indicate that government investment in education has a beneficial effect on the Human Development Index, facilitated by the Education Index, across 38 districts/cities in East Java, Indonesia from 2010 to 2015. Additionally, it is worth highlighting that government investment in the healthcare sector not only contributes to a positive impact on the Health Index but also enhances the Expenditure Index. Similarly, when it comes to the economic sector, government spending exerts a beneficial influence on the Expenditure Index as well. Meanwhile, government spending on infrastructure also positively affects the education index and the health index.

Edeme (2014) also analyzed the influence of public sector spending in Nigeria on human resource development. This research utilizes data on 20 states in Nigeria during 1999-2012 on government spending on education, health, agriculture, energy, rural development, housing, environmental protection, and water resources. The results show that Capital Expenditure on water resources, the education sector, health, rural development, agriculture, and environmental protection exhibits a constructive effect on human development. In contrast, the allocation of funds to the housing and energy sectors exhibits a detrimental impact on human development. It was also found that countries that have a higher Human Development Index will have a higher percentage of GDP per capita for the health sector. And countries with higher HDI have lower Neonatal Mortality Rates and Maternal Mortality Rates (Nuhu et al., 2018).

Investing in the health sector is a key strategy for expediting human development, as it has a positive and substantial impact on the human development index (Abbasian & Mohammadi, 2012; Fattah, 2012). Meanwhile it was revealed that the running of the government as described through the Indonesia Government Index has a significant positive effect on HDI as well as spending on the education sector on HDI (Pahlevi, 2017). And several other studies also support that government spending in the education sector will help boost the quality of human resources (Fahmi & Dalimunthe, 2018; Fattah, 2012; Soejoto et al., 2015; Tjodi et al., 2018; Wijayanto, 2015).

2.3. GRDP Per Capita and Human Development

According to Todaro (2011), achieving economic development is a crucial milestone that must be met in order to enhance the quality of people's lives. Furthermore, Todaro said that in the absence of an economy that grows sustainably at the individual and aggregate levels, efforts to optimize the quality of human resources will also not be carried out. The form of economic progress at the community level is illustrated through the GRDP per capita. Meanwhile, Barro (1991) said that through government capital expenditure it is expected to increase output by reducing transaction costs, improving the quality of human resources, and the level of productivity.

Research conducted by Hidayat & Woyanti (2021) states that simultaneously all
the independent variables in their research have a significant influence on HDI with the position that GRDP per capita is the variable that most influences to HDI by utilizing data from 34 provinces from 2014-2019 with independent variables from this research are GRDP per capita, regional spending, dependency ratio, poverty, and technology. In a separate investigation conducted by Wijayanto (2015) encompassing 38 regencies and cities in East Java, the findings revealed a partial positive correlation between Gross Regional Domestic Product (GRDP) per capita and the Human Development Index (HDI). Several studies examining the influence of capital expenditures on human resource development quality, particularly measured by the HDI, have indicated that the allocation of capital expenditures has an indirect but significant impact on the HDI (Prihastuti, 2018) and that capital expenditures became mediation for the Special Allocation Fund and HDI which then became the Special Allocation Fund significant positive effect on HDI (Riviando et al., 2019).

2.4. Hypothesis

The hypothesis is a temporary guess from the researcher in a research proposed based on the theory to answer the problem. As with the theory and results of previous research, the hypothesis proposed in this study is:

**Hypothesis 1**

$H_0$: Government spending on the health function has no influence on human resource development in Eastern Indonesia

$H_1$: Government spending on the health function has a positive influence on human resource development in Eastern Indonesia

**Hypothesis 2**

$H_0$: Government spending on the education function has no influence on human resource development in Eastern Indonesia

$H_1$: Government spending on the education function has a positive influence on human resource development in Eastern Indonesia

**Hypothesis 3**

$H_0$: Government capital expenditure has no influence on human resource development in Eastern Indonesia

$H_1$: Government capital expenditure has a positive influence on human resource development in Eastern Indonesia

**Hypothesis 4**

$H_0$: GRDP per capita has no influence on human resource development in Eastern Indonesia

$H_1$: GRDP per capita has a positive influence on human resource development in Eastern Indonesia

3. RESEARCH METHODS

This study aims to see the effect of capital expenditure, government spending on education, health, and GRDP per capita on human resource development in Eastern Indonesia. Where the amount of government spending is a factor that influences the value of the Human Development Index which reflects the quality of human resources using a quantitative approach. In this study, the authors utilize data with secondary data types. The dataset comprises information regarding regional government capital expenditures, local government expenditures on education and health, GRDP per capita, and the national as
well as provincial Human Development Index in Indonesia from 2010 to 2019. The dataset utilized in this research was sourced from the Central Bureau of Statistics and the Directorate General of Fiscal Balance, operating under the Ministry of Finance. To examine and interpret the data, a panel data regression employing the Fixed Effect Model was employed as the preferred analytical method. The regression model used in this study is outlined below:

$$ HDI_{it} = \beta_0 + \beta_1 \text{LnEducExp}_{it} + \beta_2 \text{LnHealthExp}_{it} + \beta_3 \text{LnCapitalExp}_{it} + \beta_4 \text{LnGRDPCapita}_{it} + \epsilon_{it} $$

**Explanation:**
- $HDI_{it}$: Human Development Index for region $i$ in period $t$
- $\text{EducExp}_{it}$: Regional Government Expenditures for region $i$ in period $t$ for the education function
- $\text{HealthExp}_{it}$: Regional Government Expenditures for region $i$ in period $t$ for the health function
- $\text{CapitalExp}_{it}$: Regional Government Expenditures for region $i$ in period $t$ for capital expenditures
- $\text{GRDPCapita}_{it}$: Government Regional Domestic Product per Capita for region $i$ in period $t$
- $\epsilon_{it}$: Province cross section data in Eastern Indonesia
- $t$: Time series data for the period 2010-2019
- $\beta_0$: Constants
- $\beta_1, \beta_2, \beta_3, \beta_4$: Independent variable regression coefficient

**Table 1. Operational Definitions of Variables**

<table>
<thead>
<tr>
<th>Variables</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>HDI (Human Development Index)</strong></td>
<td>The Human Development Index (HDI) is a summary measure of average achievement in key dimensions of human development: a long and healthy life, being knowledgeable and having a decent standard of living. The HDI is the geometric mean of normalized indices for each of the three dimensions.</td>
</tr>
<tr>
<td><strong>Regional Government Expenditures for Education Function</strong></td>
<td>Spending on the education function is spending spent by local governments on early childhood education, basic education, secondary education, non-formal and informal education, higher education, educational support services, religious education, research and development of education and culture, youth development and sports, cultural development, and other education.</td>
</tr>
<tr>
<td><strong>Regional Government Expenditures for Health Function</strong></td>
<td>Government spending on the health function is spending spent on drugs and health equipment, individual health services, community health services, family planning, health research and development, and other health.</td>
</tr>
<tr>
<td><strong>Regional Government Expenditures for Capital Expenditures</strong></td>
<td>Capital expenditures are expenditures made by the state or region to pay for the acquisition of fixed assets and/or other assets or to increase the value of fixed assets and/or other assets that provide a benefit value of more than one accounting period &amp; exceed the minimum capitalization of fixed assets/other assets set by the government. Examples include capital expenditures for land, capital expenditures for equipment and machinery, capital expenditures for buildings and structures, capital expenditures for roads, irrigation and other capital expenditures, as well as capital expenditures for public service agencies.</td>
</tr>
<tr>
<td><strong>GRDP Capita</strong></td>
<td>GRDP per capita is the division between the GRDP of an area and the number of people living in that area. GRDP per capita reflects the average income of...</td>
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4. FINDINGS

4.1. Result

After conducting tests to determine the appropriate regression model, the results indicate that the Fixed Effect Model was selected as the most suitable model for analysis. The following is the regression result of the Fixed Effect Model:

|       | Coefficient | Std. err. | t     | P>|t|   | [95% conf. interval] |
|-------|-------------|-----------|-------|-------|-------------------|
| HDI   |             |           |       |       |                   |
| LnEducExp | .4052166   | .1004971  | 4.03  | 0.001 | .1910121 , .6194211 |
| LnHealthExp | 1.133306   | .3184637  | 3.56  | 0.003 | .4545164 , 1.812095 |
| LnModalExp | -.0765785  | .3917886  | -0.20 | 0.848 | -.9116561 , .758499 |
| LnGDRPCapita | 7.055431   | 1.490056  | 4.74  | 0.000 | 3.879451 , 10.23141 |
| cons  | -.9320353   | 16.61836  | -5.61 | 0.000 | -128.6247 , -57.78234 |

F(4,15) = 96.97
Prob > F = 0.0000

Based on the table above, the Fixed Effect Model regression results show that the variable Regional Government Expenditures for Education Function, Health Function, and GRDP per Capita of Regional Government have a positive and significant influence on HR development which is described through the Human Development Index at level α=1%. Meanwhile, from the results of calculations through the Fixed Effect Model, the Local Government Capital Expenditures variable has no significant effect on the Human Development Index.

Next is the F test which is carried out to get an overview of the effect of the independent variables simultaneously on the dependent variable. The regression results with the Fixed Effect Model show that the Prob>Chi2 value is 0.000. The Prob>F value is smaller than α=1%, so it can be concluded that simultaneously the HDI variable affected by Local Government Expenditure Function for Education & Health then Capital Expenditure also GRDP per Capita.

4.2. Discussion

4.2.1. Effect of Government Expenditures at Education Function on HDI

The statistical tests conducted in this study using the Fixed Effect Model yielded noteworthy findings, indicating a positive and substantial impact of government spending on education in Eastern Indonesia on the development of...
human resources' quality. This proves that the hypothesis of education spending can improve the quality of human resources is proven. By analyzing the data, it is determined that the coefficient value for education spending is 0.405, indicating that a 1 percent growth in education expenditure will positively impact the quality of human resources by 0.405 units.

The education sector is a government sector that prioritizes basic service obligations in the regional funding and spending scheme. The veracity of this claim is substantiated by the requirement of mandatory spending, which is allocated at 20% of both the state revenue and expenditure budget, as well as the regional revenue and expenditure budget. This mandate is derived from the Preamble of the 1945 Constitution, Article 31, paragraph (4), and is further supported by the provisions stated in Law no. 20 of 2003 concerning the National Education System, Article 49, paragraph (1). With mandatory spending on the education sector, it is certainly hoped that it can boost and improve the quality of public education in Indonesia.

One indicator that showcases the ongoing progress in human development in Indonesia is the increasing Human Development Index (HDI) year after year. When it comes to the realm of education, the Expected Years of School (HLS) and Average Years Schooled (RLS) serve as valuable benchmarks to gauge the enhancements in the country's human capital. BPS data (2023) shows that from 2010-2019, RLS and HLS in Indonesia have increased. Indonesia's current RLS figure in 2022 is 8.69 years. Meanwhile, in 2010 Indonesia had an RLS of 7.46 years. This means that there has been a good shift for 13 years, namely 1.23 years, an increase from RLS. While on the HLS side in 2010 Indonesia has a value of 11.29 years. In 2022, Indonesia's HLS has reached 13.08 years, which means that for 13 years HLS has increased by 1.79 years.

The results of this investigation are consistent with the research carried out by Edeme (2014), which supports the notion that public investment in the education sector plays a crucial role in fostering the development of human resources. In fact, the study revealed that expenditures allocated to education had a more pronounced impact compared to sectors such as health, water resources, agriculture, energy, housing, environmental protection, and rural development. Fadilah et al., (2018) further reinforced these findings by presenting research outcomes that demonstrated the positive influence of government spending on education on the Human Development Index, specifically through the Education Index.

Even though there has been an increase in various indicators of educational development and such as education participation rates, equal distribution of education quality, the relevance of education, the education sector still has a number of problems. The Ministry of Education and Culture divides these problems into 3 (four) categories: (1) low PAUD and education participation rates high, (2) low learning outcomes, and (3) geographic inequality in the quality of education. For example, in primary and secondary education, the results achieved by Indonesian students on the PISA test have shown improvement, but of course there are still many things that can be improved from the existing results. Indonesia ranks low in the 2018 PISA test results. Indonesia ranks 72 out of 78 countries for mathematics, ranks 72 out of 77 countries for reading, and 70 out of 78 countries for the science category. Indonesia's PISA test scores also show a stagnant trend. However, the difference between the scores obtained by Indonesian students and the average scores of participants from developed
countries shows a reduction gap for all existing fields. For example, in the field of science, the difference between Indonesia and OECD countries in 2006 was 101 points. While in 2018 it was reduced to 93 points. Indonesia's not-so-good achievements can be caused by various reasons, such as the lack of educational infrastructure, geographical disparities in the quality of education, and the socio-economic conditions of students (Kementerian Pendidikan dan Kebudayaan, 2020).

This means that it is still necessary to carry out continuous improvement in the education sector, especially in Eastern Indonesia, both in terms of quality of education, teaching and educational staff, as well as management of education which includes development, rehabilitation, coaching of students starting from the early childhood education level up to college institutions.

4.2.2. Effect of Government Expenditures at Health Function on HDI

The application of the Fixed Effect Model in this study allowed for statistical tests, revealing a significant and positive correlation between government spending on health functions in Eastern Indonesia and the development of human resource quality. These findings provide substantial evidence to support the hypothesis that investing in health expenditure can effectively enhance human resource quality. Based on the regression analysis, the coefficient value for health spending is 1.13, indicating that a 1 percent increase in health expenditure will result in a 1.13 unit acceleration in the growth of human resource quality.

As per the Amendments to the 1945 Constitution, specifically Article 18, paragraph (6), regional governments are granted extensive autonomy. This provision is further detailed in the distribution of authority between the Central Government and Regional Governments, which is regulated by Law Number 23 of 2014, replacing the previous Law Number 32 of 2004 concerning Regional Government. In these laws and regulations, the health sector is a government sector that prioritizes mandatory basic services in the regional funding and expenditure scheme. According to the provisions of Law no. 36 of 2009 concerning Health, it is obligatory for large provincial and district/city regional governments to allocate a minimum of 10% (ten percent) of the regional income and expenditure budget, excluding salaries, for health expenditures. It is hoped that the 10% mandatory spending mandated for health spending will continue to be monitored in order to improve the quality of human resource development through the health sector.

The government needs to realize that the need for health services is a basic need for every individual. Because, the life of every individual in good health is the capital to fulfill his life properly. Implementation of the fulfillment of health services in Indonesia needs to be ensured of the quality according to needs. To ensure the availability of essential health services for all citizens, the implementation of healthcare affairs is governed by the Minimum Service Standards (SPM). This regulatory framework aims to guarantee that individuals have access to the healthcare services they require. The quality of human development from year to year can be seen from the HDI figure which also increases from year to year. In the health sector, an indicator that we can refer to to see improvements in the quality of human resources in Indonesia is through the Life Expectancy Rate (AHH). Indonesia's AHH during the 2010-2022 period continues to increase. In 2010, Indonesia's AHH was recorded at 69.81 years. While in 2022 it has reached 71.85. This means that the health status of the
Indonesian people is getting better from time to time.

In line with the research conducted by Razmi et al. (2012), the outcomes of this study affirm that government expenditure in the healthcare sector has a noteworthy and favorable impact on the Human Development Index. In the study, it was clarified that an escalation in government spending on the healthcare sector leads to a rise in life expectancy and a decrease in mortality rates caused by diverse factors. Zahari (2017) also explains things that are linear with this research. It is emphasized that investing government resources in the health sector will result in a noteworthy and beneficial influence on the development of human resource quality.

Even though there has been an increase in indicators of health development through the reflection of life expectancy, there are still a number of things that still need to be overseen in the health sector to be completed in the future. For example, talking about Indonesia's Maternal Mortality Rate (MMR), which is currently still quite high in Southeast Asia and is still far from the position of the SDG’s global target to be able to reduce MMR to 183 per 100,000 Live Births (KH) in 2024 and less than 70 per 100,000 KH by 2030 (Kementerian Kesehatan, 2020). In addition, health problems in Indonesia also include over nutrition and under nutrition. One of the groups of excess nutrition is obesity and excess micronutrients. While malnutrition includes underweight, wasting, stunting, and micronutrient deficiencies. Efforts to reduce these health problems cannot only be carried out by the health sector, but also supported by other sectors. For example, the case of stunting has 5 (five) pillars of treatment, namely political commitment, campaigns and education, program convergence, access to nutritious food, and program monitoring (Kementerian Kesehatan, 2020).

When analyzing the implementation of minimum service standards in the Health Sector, data provided by the Ministry of National Development Planning (2021) reveals that the average attainment of minimum service standards at the district/city level in the Health Sector has currently reached a mere 72%. More detailed data shows that based on the region which is divided into Eastern Indonesia and Western Indonesia, the average for the Eastern Region of Indonesia which consists of Papua - Maluku - Sulawesi - Kalimantan - Nusa Tenggara for achieving a minimum health service standard is 40.4%. Meanwhile, the western region of Indonesia, which consists of Sumatra and Java, has reached 69%. There is a difference of 28.6% in the achievement of minimum service standards in the Health Sector between the Western Regions of Indonesia and the Eastern Region of Indonesia. This means that the government has quite a lot of homework for the health sector, especially specifically on the minimum service standards provided to people in Eastern Indonesia.

The government through the Ministry of Health needs to continue accelerating the health sector to be able to support the quality of human development which is getting better from time to time. The Ministry of Health (2020) will continue to oversee the development of the health sector through various strategies such as an acceleration of improving community nutrition in the context of preventing and overcoming multiple nutritional problems; optimization of disease control; improving maternal, child and reproductive health; and also strengthening the health system.

4.2.3. Effect of Government Capital Expenditures on HDI

After conducting statistical tests using the Fixed Effect Model, the
study's results indicate that there is no significant impact of government capital expenditure in Eastern Indonesia on the quality of human resource development. This is shown by $\alpha = 1\%, 5\%, \text{or} 10\%$ the results of this variable indicate that the probability number 0.848 indicates no significance in the development of the quality of human resources.

Capital expenditure serves as a vital component in the developmental initiatives of regions and states. The Minister of Finance Regulation of the Republic of Indonesia, specifically Regulation Number 102/PMK.02/2018 concerning Budget Classification, provides a comprehensive explanation of capital expenditures. These expenditures encompass payments made by the state or region to procure fixed assets and/or other assets, augment the value of existing fixed assets and/or other assets, and generate benefits that extend beyond a single accounting period. Furthermore, capital expenditures surpass the minimum capitalization threshold for fixed assets or other assets as determined by the Government. These assets are used for the operational activities of a Work Unit or used by the community/public, recorded as assets of the relevant ministries/institutions and are not intended to be sold/handed over to the community/local government.

The results of this study are linear with the results of research from Prihastuti (2018) who found that allocated capital expenditure in the 2014-2016 period did not have a significant effect on the HDI value in districts/cities in Riau Province. Meanwhile, capital expenditure as a mediation between Regional Original Revenue (PAD) and General Allocation Funds (DAU) has also not proven to have a significant effect on human resource development in districts/cities in West Sumatra Province in 2015-2017 (Riviando et al., 2019). In another study, capital expenditure, which is a proxy for government spending in East Kotawaringin Regency in 2009-2017, also showed no significant effect on HDI (Komariah et al., 2019).

Through regional spending which consists of operating expenditures, capital expenditures, unexpected expenditures, and also transfer expenditures, it is hoped that each regional government can optimize the availability of the existing budget to achieve regional goals. Expenditure optimization needs to consider conformity with development policy directions by not neglecting strategic issues in each region as consideration. The average local government in Indonesia currently allocates around less than 25% of capital spending from total spending per year (Yuniawan et al., 2016).

Capital expenditure is not yet optimal in supporting accelerated human development because the allocation of capital expenditure has not been carried out in an appropriate manner (Vegirawati, 2012). The no significant effect of capital expenditure on the development of the quality of human resources is also due to the nature of the project from capital expenditure which is a long term so that the benefits felt by the community will only be obtained several years later (Pramartha & Dwirandra, 2018). It was further stated that the regional government was not able to increase the budget allocated for capital expenditures because most of it was allocated for routine and operational expenditures. On the other hand, the benefits of capital expenditure besides increasing economic growth can also play a role in reducing inequality and increasing people's welfare (Jhingan, 2012).

4.2.4. Effect of GRDP per Capita on HDI
Based on the results of statistical tests conducted in this study through the Fixed Effect Model, it was found that the per capita GRDP variable in Eastern Indonesia has a positive and significant influence on the quality of human resource development. This proves that the GRDP per capita hypothesis can improve the quality of human resources is proven. The regression coefficient value of education spending shows a figure of 7.05, which means that every 1 percent increase in GRDP per capita will improve the quality of human resources by 7.05 units.

According to Todaro (2011), one of the essential stages to enhance people's quality of life is achieving economic development. Todaro further emphasized that achieving sustainable economic progress at the individual and community levels is imperative for harnessing the full potential of human resources and optimizing their quality. GRDP per capita serves as an illustrative measure for regional economic progress in terms of its form.

The Gross Regional Domestic Product (GRDP) per capita is a form of economic progress at the regional level that is often used as a reference for economic development among regional regions that are getting better or worse. GRDP per capita and economic growth cannot be underestimated in the development process. Ranis et al., (2000) gave research results in 1960-1992 found that 35 out of 76 countries in realizing economic growth needed social and economic policy products produced that focused on supporting overall economic stability. Coupled with that in terms of human development will be successfully accelerated when there is economic growth.

The results of this study are also in line with research conducted by Hidayat & Woyanti (2021) which stated that per capita GRDP from 2014-2019 in 34 provinces in Indonesia had a positive and significant influence on the quality indicator of human development, namely the Human Development Index. Furthermore, the findings from Fahmi & Dalimunthe (2018) also found linear results with this study, that in the 2012 period the value of the Human Development Index was significantly and positively influenced by GRDP per capita.

The results of this study indicate that GRDP per capita has a positive and significant influence on the quality of human resource development. Which means that the higher GRDP per capita will make the Human Development Index also higher. Islam (1995) states that GRDP per capita is an important determinant for human development. Additionally, it was stated that the association between GRDP per capita and the quality of human development becomes increasingly stronger as the quality of human development reaches higher levels. The government needs to make this an accelerator in building better and more competitive quality human resources. However, it should be noted that in the process of building economic growth one must also consider the lens of the distribution of inequality between regions.

The World Inequality Report 2022 published by the Paris School of Economics and Berkeley University released that economic inequality in Indonesia in the last two decades has tended to increase. This was shown in 2000, the difference between the top 10% and the bottom 50% was 11 times. While in 2019 it increased to 19 times. In another position, the difference between the top 1% and the bottom 50% in 2000 was 41 times. Meanwhile in 2021 it will increase to 74 times. Still on the same data, it is shown that 30.2% of the total population wealth in Indonesia is controlled by the top 1%. Meanwhile, the bottom 50% in
Indonesia only controls 4.5% of the wealth of the population in Indonesia. The Indonesian government needs to simultaneously promote economic progress and quality human resources by looking at the inequality that exists in Indonesia so that it does not widen further. Economic growth needs to continue to be driven in a better direction by relying on leading sectors in the region. Development in regional leading sectors will create wider job opportunities so as to equalize income distribution which leads to an increase in per capita income. Along with increasing per capita income, purchasing power and people's welfare will improve (Arsyad, 2004). Furthermore, the community will be able to reach wider access to existing resources, including in terms of opportunities to continue their education as well as access to better health. Thus, it is hoped that in the future the quality of human resources will get better from time to time.

5. CONCLUSION(S)

Based on the research, it's evident that from 2010 to 2019, a positive correlation existed between government spending on education, health, GRDP per capita, and improved human resource quality in Eastern Indonesia. However, capital spending during this period didn't significantly contribute to human resource development. This suggests insignificance in the government's capital expenditure for HDI.

A key recommendation is for the government to prioritize precise allocation of funds in education and health sectors, both of which have mandated spending (20% for education and 10% for health). Monitoring using Minimum Service Standards (SPM) is crucial. If standards aren't met, policy adjustments can extend them regionally. Regarding capital expenditure, periodic evaluation is essential. Analyzing Budget Execution Documents (DPA) helps identify ineffective expenses hindering human resource development.

Furthermore, the government should sustain efforts to boost economic welfare, thereby increasing GRDP per capita. Low unemployment rates are vital, as they raise income and individual purchasing power, stimulating the economy. To manage population growth, the government can empower local community organizations to promote family planning and implement services effectively.

6. REFERENCES


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