

Analysis of The Human Capital, Economic Growth, and Education Spending on Poverty in Gowa District

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Abstract

The research from this thesis aims to determine the extent of the effect of Human Capital, Economic Growth, and Education Expenditure on Poverty in Gowa Regency. In order to know how big the influence of Human Capital, Economic Growth, and Education Expenditure on Poverty in Gowa Regency, a multiple linear regression model is used with the ordinary least square method or the least squares method. The type of data in this study is secondary data, and based on the time dimension, namely time series data with a period from 2006 until 2020. The conclusion from this thesis show that the average length of schooling and economic growth have a positive influence on poverty in Gowa Regency. While, Education Expenditure has a negative effect to Poverty in Gowa Regency.

Keywords education expenditure, human capital, influence analysis

INTRODUCTION

Poverty is a development problem that must be minimized because it will cause social problems. The struggle for economic development is by building good economic growth to reduce the number of poor people. Poverty is a situation in which a person cannot meet the basic needs of his life, such as clothing, food, housing, education, and health—categorized as poor if the population has an average per capita expenditure per month below the poverty line. The poverty in an area must be seen as an intense problem, bearing in mind that poverty currently makes many people experience challenges in meeting their needs.

This picture of poverty is very concerning because it occurs in Indonesia, known for its abundant natural wealth. The topographical area is also superior because it is the center point of intercontinental oceanic traffic, with a large room with all its flora, fauna, and hydrographic potential. With this wealth, Indonesia has an extraordinary opportunity to eradicate existing poverty. However, currently, Indonesia has a fluctuating poverty rate. One of the goals of the Unitary State of the Republic of Indonesia (NKRI) is to free people from the shackles of poverty. This is stated in the fourth paragraph of the Preamble of the 1945 Constitution, which stipulates that the main task of the Government of the Republic of Indonesia is to "promote the general welfare, educate the nation's life and realize social justice for all Indonesian people." To achieve this goal, the government, in preparing development plans, makes poverty a primary reference for measuring development achievements.

Economic Growth, Human Capital, Average Length of Study, and Education Expenditure can be one of the factors causing poverty (Sampo, 2019). Increasing economic and human resources and government spending on education is relied upon to reduce poverty rates. Economic growth is often associated with the level of regional government assistance and a description of the successful implementation of a district's macroeconomic policies,



which will ultimately positively affect the central government and regional governments. This follows the explanation that public authority in expanding economic growth is not only for the welfare of society but also for arguments praising the state and rulers (Wardihan, 2012). However, in reality, this increase has been a small door in reducing the problem of poverty in Gowa Regency.

Increased economic growth means an increase in economic activity, namely an increase in the production of goods and services in society, which means an increase in prosperity in a region (Sukirno in Wardihan, 2012). As Sukirno (2012) stated, economic growth is significant in economic activity. Economic growth can also affect economic development. The more the economic growth of a region increases, the better the regional economy will be, and vice versa.

The link between economic growth and poverty is one of the foundations of current development thinking. While most studies find that overall economic growth reduces poverty, policymakers, in this case, the government, need more detailed results to allocate public spending (Sarris, 2001).

Apart from economic growth, human capital can also affect poverty. Good human capital can be a factor that can reduce poverty in developing countries such as Indonesia. To build human capital, various efforts are needed, bearing in mind the growing development of education in Indonesia. Promoting human capital through teaching is expected to have a long-term positive impact on labor market demand so that poverty can be overcome by increasing the number of workers through quality education (Mulyadi, 2006).

Based on the World Bank report (2015), poverty reduction is considered achieving economic growth through human capital development, in which the community contributes to and benefits from economic growth. Then, several factors that encourage human capital development that have been identified are included in human capital investment factors, namely job creation, structural transformation, entrepreneurship, and social protection.

A low level of education is often attached to a population with a weak economic level. The low level of education possessed by people with low incomes makes them lack skills, thus preventing them from getting a decent job or being unemployed. Improper or unemployed work will impact the occurrence of revenue or income that is not feasible and will have implications for the distribution of income gaps that lead to poverty. Poverty can also prevent people from consuming nutritious food with a low level of knowledge, impacting undeveloped social and environmental conditions. From an economic standpoint, it will lead to low efficiency, or it can be said that all of this will produce low-quality human resources (Bado et al., 2015).

Education is a pioneer of the progress of a country in the future. If a country's education cannot develop as expected, then the country's progress will be disrupted. Because schools involve the development of identity and, at the same time, the character of a nation. The measuring tool for education in a region is not only the average length of schooling; the literacy rate can also be used as a measuring tool. Wongdesmiwati (2009) said that if the quality of human resources increases, it will reduce the increase in poverty. Thus, the level of education becomes a determining factor in the quality of human resources.

Training is one way to build Human Capital (HC) with the aim that they become empowered individuals (Bado et al., 2017). Many poor people do not get an education, which will give them no knowledge that can release them from the shackles of poverty. With that, education becomes an essential factor so that someone can escape from poverty.

The education budget is the largest compared to other sector budgets; with this large budget, it is hoped that it will support the advancement of education in Indonesia, especially in Gowa Regency. However, the fact is that budget allocations are often misused to fill the pockets of irresponsible individuals, so it's only natural that the quality of existing education is still a concern; this is what drives the condition of poverty in Kab. Gowa is still said to be relatively high.

Another reason is that the budget is significant but not proportional to the output of education; according to a report from the World Bank (2009) that regional spending from 10 existing districts, if employee salaries are issued, the budget is still below 20% of total education spending.

The government has taken various ways to alleviate poverty, one of which is through a cash program or capital assistance to people experiencing poverty; each small business owner is given capital assistance of IDR 2,400,000.00. This assistance is channeled through the Ministry of MSMEs by first checking MSMEs who cannot get and those who can get help from the center so that business owners who this assistance program cannot cover will be assisted by the Regional Government (Hasma, 2020). However, the programs carried out have yet to be able to overcome the existing problems significantly. By only channeling direct assistance, more is needed to overcome poverty because the aid is only ready to pay off current needs, which are temporary. Efforts with a long-term focus on increasing natural and human resources to encourage people with low incomes to better lead their lives by using and managing existing resources as well as possible. So it is necessary to pay attention to human capital in Indonesia because it is the primary key to fighting poverty.

Communities must be equipped with knowledge and good health to carry out development programs as well as expected. If quality human resources, especially in the field of education, will be resolved in its management, even though it has minimal natural resources.

METHOD

The type of data used in this study is according to the time dimension, namely time series data, by looking at data on the influence of human capital, economic growth, and education spending on poverty 2006-2020. In this study, one Y variable (dependent variable) and three X variables (independent variables) were used, as follows: a) The independent variable is human capital, economic growth, and education spending b) The dependent variable is poverty. In collecting this research data, the researcher collected data in the form of secondary data because the research data collection came from government agencies such as the Central Statistics Agency (BPS) website and the official website of Gowa Regency, and the DJPK of the Ministry of Finance.



Population can be interpreted as all the elements considered in a study. The population used in this study consisted of all research data comprised of the average length of schooling, economic growth, education spending, and poverty in Gowa Regency. As for the research sample, as many as 15. The technique used in collecting research data is by looking at the source of the data used, namely using secondary data; the researcher obtains information related to the data through literature about this research, such as document studies, previous research journals, and Other published books related to this research include the Gowa Regency Central Statistics Agency (BPS) website, the Gowa Regency official website, and the Ministry of Finance's official website.

The data analysis used in this study uses a multiple linear statistical test model because this research aims to determine the effect of the average length of schooling, economic growth, and education spending on poverty in 39 Gowa districts. Multiple linear statistical tests are used through the regression method to test the significance or whether there is a relationship between more than two variables.

RESULTS AND DISCUSSION

| Independent Variables | T.H | β | t_{count} | Sig | VIF |
|-------------------------|-----|---------------------|-------------|-------|--------|
| RLS | - | 0,788 ^{ns} | 0,881 | 0,397 | 4,425 |
| P. E | - | 0,031 ^{ns} | 0,143 | 0,889 | 1,625 |
| BP | - | - | - | 0,001 | 4,117 |
| | | 1,101 | 4,589 | | |
| Intersep | | | | | 7,868 |
| Adjusted R ² | | | | | 0,808 |
| F _{hitung} | | | | | 20,689 |
| DW Test | | | | | 1,171 |
| Run Test | | | | | 0,290 |
| N | | | | | 15 |

Source: Data Processing Results, 2022

Based on the analytical method used and described in the previous chapter, the following equation is obtained:

$$Y = 7,868 + 0,788X_1 + 0,031X_2 - 1,101X_3 + \varepsilon_t$$

The multicollinearity test is part of the classic assumption test in multiple linear regression analysis; this classic assumption test itself is a requirement that must be met before carrying out the next test. The multicollinearity test aims to determine whether there is an intercorrelation (strong relationship) between the independent variables (variable x). The absence can see a good regression model of multicollinearity symptoms. One way is the presence or absence of multicollinearity symptoms using the VIF method. Based on the

results of data processing, it was obtained that the VIF of each variable was less than <10.00 so that multicollinearity did not occur.

Furthermore, the autocorrelation test aims to test whether there is a correlation or confounding error in period t or period $t-1$ (previously) in the linear regression model. The basis for taking the autocorrelation test is if $d < d_l$ or $d > 4-d_l$, then there is autocorrelation; if $d_u < d < 4-d_u$, then there is no autocorrelation; and if $d_l < d < d_u$ or $4-d_u < d < 4-d_l$ then no conclusion. The autocorrelation test results obtained $d = 1.171$, $d_l = 0.814$, $d_u = 1.750$, $4-d_l = 3.186$, and $4-d_u = 2.250$. Because the results of the autocorrelation test using DW obtained no conclusions, a run test was carried out, which obtained the results that there was no autocorrelation with a result of 0.290 , which means $0.290 > 0.05$ there are no symptoms of autocorrelation.

Then the result of the adjusted coefficient of determination above is known to be 0.808 , which means that the influence of the RLS, PE, and BP variables on the poverty variable is 80.8% .

The F test helps test how the independent variables simultaneously influence the dependent variable. The basis for deciding on the F test is that if the calculated F value $> F$ table, then there is an influence and vice versa. The F-test calculation results show $20.689 > 3.59$, which means that the RLS, PE, and BP variables simultaneously influence the poverty variable. Furthermore, in the t-test to determine if the independent variable significantly affects the dependent variable. The basis for deciding if it has a significant effect is if t count $> t$ table, and if it has no significant impact, the test results show t count $< t$ table as for the t table of 1.796 . The t-test results show that the average length of schooling does not significantly affect poverty, the economic growth variable has an insignificant positive effect on poverty, and the education expenditure variable significantly negatively impacts poverty.

The test results found that there was no effect of the average length of schooling on poverty in Gowa Regency; this occurred because a significance value of $0.397 > \text{probability of } 0.05$ was obtained with a regression coefficient of 0.788 . The average length of schooling does not affect poverty in Gowa Regency because although the average size of education in that area has increased, poverty has also increased. This is evidenced in the HDI and poverty data which show that in 2013 the average length of schooling in Gowa Regency increased by 6.74 years but had a reasonably high poverty rate of 8.73% . Likewise, in 2017, the average size of education increased by 7.74 years, but poverty data increased by 8.42% .

This is not in line with the theory previously explained that the average length of schooling can affect the existing poverty level. The theory that explains it is Lazear's theory (2001) which says that education is where human capital is formed so that the time spent studying education is the same as investing in human capital. The results of this study, which have no effect, are the same as previous research from Sampo (2019), where the average length of schooling has no effect on poverty in Tana Luwu.

Likewise, with the average length of schooling, economic growth has no effect on poverty in Gowa Regency; this occurs because a significance value of $0.889 > \text{probability of } 0.05$ is obtained with a regression coefficient of 0.031 . Economic growth does not affect poverty in Gowa Regency because even though economic growth is high, so is the high



poverty data. This is evidenced in the GRDP and poverty data of Gowa Regency which shows that in 2013 economic growth was 9.42%. The GRDP of Gowa Regency was the highest in that year when viewed in the range from 2006 to 2020, but in 2013 it had a reasonably high poverty rate. That is equal to 8.73%.

This does not support the theory explained earlier that, according to Kuznets (1971), the poverty rate will increase in the initial development phase, and in the final stage of development or increased economic growth can reduce the number of poor people. The results of this study are also the same as the results of research conducted by Ilham (2019), where economic growth does not affect the poverty rate. From the study results, it can be concluded that economic development has not fully touched the lower layers of society, and economic growth has not reduced the poverty rate in the Gowa district.

Unlike the other independent variables, which do not affect the dependent variable, the Education Expenditure variable negatively and significantly affects poverty. The test results show the value of the regression coefficient for education spending is -1.101, which can be said that every 1% increase in education spending causes a decrease in poverty in Gowa Regency by 1.101%. So educational programs created by the government provide good results for the people of Gowa Regency, who can reduce poverty.

Not only formal education programs but non-formal education programs also play an essential role in advancing the people of Gowa Regency such as the Learning Activity Center program, the Saleh Children's Education Center, the AT-Taufiq Community Learning Activity Center, Out-of-School Education and many others. Many other non-formal education programs in Gowa Regency are included in the Gowa Regency education budget. So that this non-formal program functions to improve human resources and the quality of education so that it is of higher quality because non-formal education can touch every level of society.

This is different from the research by Demak et al. (2020), where education spending has a negative but insignificant effect on poverty in Manado City. As previously explained, indications that government spending has an impact on increasing several macroeconomic indicators, such as economic growth and the poverty rate, can be seen according to Mangkoesoebroto (1994) in one of the macro theory developments regarding government spending, namely Wagner's Law, which explains that there are several causes for increased government spending, namely increasing the functions of defense, security, and order, improving the function of welfare, increasing the role of banking and increasing the process of development, so that by increasing spending on education can reduce the level of poverty.

CONCLUSION

Education spending has a negative effect on poverty in Gowa Regency; this happens because the education budget in Gowa Regency can reduce poverty in the area, and educational programs that the local government has carried out can provide significant benefits for the people of Gowa Regency as well as non-formal education programs in the area. It is also the key to the success of education in Gowa Regency. On the other hand, the average length of schooling and economic growth does not affect poverty; this happens

because, based on the results of the analysis of data obtained for economic growth in Gowa Regency, the percentage figure for economic growth from the period studied is that the highest economic growth is not followed by a reduction in poverty and decreased economic growth followed by a decrease in poverty. It is the same with the average length of schooling, which increases and decreases are not followed by poverty. This shows that economic growth and the average size of education have no effect on poverty in Gowa District.

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