

## The Influence of Government Expenditures on the Human Development Index With Gross Domestic Product As A Moderating Variable

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### ABSTRACT

Researchers believe that government spending that is good, measurable, based on research, efficient and effective can increase the Human Development Index in terms of improving the quality of education, quality of health and other things which in the end can have a good impact on the Human Development Index. Therefore, this research aims to analyze the influence of government spending on the Human Development Index. Different from previous studies, this research adds the Gross Domestic Product variable as a moderating variable which is believed to strengthen the influence of the Independent variable on the Dependent variable. This research is quantitative research with an explanatory approach which uses previous research as a benchmark/reference for finding new variations. The data used in this research is secondary data originating from the annual report of the Central Statistics Agency from 2018-2023. The data used in this research were analyzed using the smart PLS 4.0 analysis tool. The result in this research show the Government Expenditure variable can have a positive relationship and a significant influence on the Human Growth Index variable because the P-Values value is positive and is below the significance level of 0.05, namely 0.023. Apart from that, researchers also believe that the Gross Domestic Product variable can strengthen the influence of the Government Expenditure variable on the Human Growth Index. The researcher's confidence can be proven from the results of the second row of the third table of the Path Coefficient which shows the direction of a positive relationship and a significant influence. This is indicated by the results of the second line of the Path Coefficient which shows that the P-Values value is below the 0.05 significance level, namely 0.023. This means that the Gross Domestic Product of each province in Indonesia is good, continues to be stable, and even continues to increase every year, which can make the influence of the government budget and government expenditure stronger so that it has a good impact on the Human Growth Index. Thus, the first and second hypotheses in this study can be accepted.

**Keywords:** Government Expenditures, Human Development Index, Gross Domestic Product

## **INTRODUCTION**

According to (Huda: 2022), HDI is an instrument for measuring the quality of society based on health, education and economic indicators. The HDI score proves the success of a country or region in meeting the goals of increasing life expectancy, education and per capita expenditure. The chance of success for an area increases when the HDI score approaches 100. HDI is structured based on 3 components, namely: 1. Life Expectancy (AHH), which is the estimated life span of a person after birth. AHH is used as a component in measuring public health in an area (Darmayanti, 2019). 2. Education is measured through 2 indicators, namely (Arafat: 2018). Expected Years of Schooling (HLS) is the estimated education time for a 7 year old child. 2). Average Years of Schooling (RLS) is the time required for people with a minimum age of 25 years to complete all levels of education. 3). Per capita expenditure describes the level of people's purchasing power and is a component that assesses development achievements in the context of a decent quality of life. Suitable quality of life refers to the welfare of society after economic progress (Kampung: 2021).

According to (Ahmad Zarkasyi: 2016), human development is a development model aimed at expanding the choices that can be developed through efforts to empower the population. This population empowerment can be achieved through efforts that focus on improving basic human abilities, namely increasing the level of health, knowledge and skills so that they can be used to increase participation in productive, social, cultural and political activities. Efforts to elevate humans as the main goal of development have actually emerged with the birth of the concept of "basic need development". This paradigm measures development success using the Physical Quality Life Index, which has three parameters, namely: infant motility rate, life expectancy at birth and literacy rate. . Indicators for measuring the success of human development continue to be developed, resulting in the emergence of a new human development paradigm which is measured by the Human Development Index.

The Human Development Report explains that the Human Development Index (HDI) is a measurement construct based on the concept of a right-based approach to human development. HDI measures the average achievements of each individual country regarding the three basic dimensions of the human quality development process. This measurement is carried out by establishing several basic assumptions that a quality human being is: a human being who can live a healthy and long life, a human being who has the skills and education necessary for his life, and a human being who can achieve a decent standard of living. The Human Development Report explains that the Human Development Index (HDI) is a measurement construct based on the concept of a right-based approach to human development. HDI measures the average achievements of each individual country regarding the three basic dimensions of the

human quality development process. This measurement is carried out by establishing several basic assumptions that a quality human being is: a human being who can live a healthy and long life, a human being who has the skills and education necessary for his life, and a human being who can achieve a decent standard of living (Dewi: 2017).

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There are several factors that can influence the Human Development Index, including Government Expenditures. The Human Development Report explains that the Human Development Index (HDI) is a measurement construct based on the concept of a right-based approach to human development. HDI measures the average achievements of each individual country regarding the three basic dimensions of the human quality development process. This measurement is carried out by establishing several basic assumptions that a quality human being is: a human being who can live a healthy and long life, a human being who has the skills and education necessary for his life, and a human being who can achieve a decent standard of living. The Human Development Report explains that the Human Development Index (HDI) is a measurement construct based on the concept of a right-based approach to human development. HDI measures the average achievements of each individual country regarding the three basic dimensions of the human quality development process. This measurement is carried out by establishing several basic assumptions that a quality human being is: a human being who can live a healthy and long life, a human being who has the skills and education necessary for his life, and a human being who can achieve a decent standard of living (Manik: 2019).

Government expenditure or public expenditure is expenditure used to fund government programs in providing public services (Mongan: 2019). The government is responsible for ensuring and safeguarding the rights of its population through the provision of basic services. Services in the health and education sectors are examples of basic services included in public services. Public spending on health and education is used as the main fiscal instrument to improve the quality of life of citizens which can then improve human development (Lescano: 2022).

Government intervention in the modern economy is increasingly needed, not only related to the problem of externalities and the failure of the market system in

providing public goods, but the government needs to ensure that the basic facilities needed by society can be provided adequately through maximum utilization of resources. Mangkoesoebroto (1999) identified three functions/roles that the government has, namely; (i) Allocation or efficiency role, namely the government's role in ensuring that the allocation of economic resources is carried out efficiently, (ii) Distribution role, namely the government's role in distributing resources and development benefits in order to create justice in society, and (iii) Stabilization role, namely the government's role in creating stability in the economy so as to guarantee business peace for every citizen. Apart from these three roles, (Dumairy, 1999) added a dynamic role, namely the role of government in driving the economic development process so that it grows more quickly, develops and advances. Implementation of government intervention in the economy and efforts to improve community welfare are carried out, among other things, through appropriate budget policies. Micro government spending is intended to provide public goods that cannot be provided by private parties as a result of market failure (Nicholson: 2002). Government spending on public goods will stimulate spending on other goods.

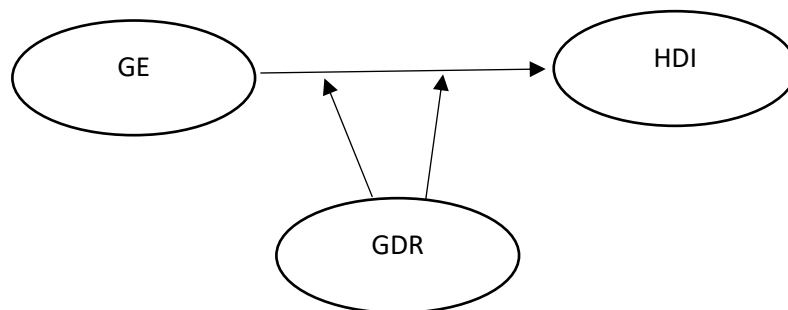
There are a number of studies (Mangkoesoebroto: 1999). (Wahyuningrum & Juliprijanto: 2022); (Nugroho: 2016); (Zulyanto: 2016) & (Putri: 2021) show the direction of a positive relationship between Government Expenditures and the Human Development Index. Different from a number of previous studies, this research adds the GRDP variable as a moderating variable. Apart from that, this research also has wider coverage, namely all provinces in Indonesia with data for the last 5 years.

## RESEARCH METHODS

Researchers believe that government spending that is good, measurable, based on research, efficient and effective can increase the Human Development Index in terms of improving the quality of education, quality of health and other things which in the end can have a good impact on the Human Development Index (Nugroho: 2016). Therefore, this research aims to analyze the influence of government spending on the Human Development Index (Primandari: 2019). Different from previous studies, this research adds the Gross Domestic Product variable as a moderating variable which is believed to strengthen the influence of the Independent variable on the Dependent variable (Mirza: 2012). This research is quantitative research with an explanatory approach which uses previous research as a benchmark/reference for finding new variations. The data used in this research is secondary data originating from the annual report of the Central Statistics Agency from 2018-2023 (Hair, 2010). The data used in this research were analyzed using the smart PLS 4.0 analysis tool with the sequence of

validity test, reliability test and path coefficient stages with the following research model (Prasetyoningrum: 2018):

**Figure 1**  
Model



**Noted:**

GE: Government Expenditures  
 HDI: Human Development Index  
 GDR: Gross Domestic Product

**Hypothesis:**

H1: The Influence Government Expenditures on Human Development Index  
 H2: Gross Domestic Product Can Moderates The Influence Government Expenditures on Human Development Index

**RESULT AND DISCUSSION**

**Validity Test**

Based on the explanation above, the analysis stages of quantitative research using an explanatory approach are validity testing, reliability testing, and path coefficients. In accordance with the sequence, the validity test is the first stage that must be carried out, namely testing secondary data in the form of the annual reports of the Central Statistics Agency from 2018-2023. This data can be said to be valid data if the factor loading value is above 0.70 with the following results (Ghozali: 2016):

**Table 2**  
Validity Test

Variable	Loading Factor	Noted
Government Expenditures	0.878	Valid
Human Development Index	0.897	Valid
Gross Domestic Product	0.956	Valid

Valid > 0.70

**Realibility Test**

After testing the validity of the variables, Geoverment Expenditures, Human Development Index, and Gross Domestic Product have been confirmed to be valid. In accordance with the sequence, the next stage that must be carried out is the reliability test by knowing the Cronbach Alpha and Composite Reliability values with the same criteria in the validity test. (Sarstedt et al.: 2014):

**Table 3**

Reliability Test

Variable	Cronbach Alfa	Composite Reliability
Government Expenditures	0.889	0.849
Human Development Index	0.928	0.887
Gross Domestic Product	0.957	0.916

Reliable > 0.70

### Path Coefisien

The final stage, as the researcher explains in the Research Methods section, is the Path Coefficient to find out whether the Independent variable can have a positive relationship direction and a significant influence on the Human Growth Index. Apart from that, the Path Coefficient also aims to find out whether the moderating variable can strengthen the influence of the Government Expenditure variable on the Human Growth Index variable with the Path Coefficient results as follows (Gujarati: 2013):

**Table 3**

Path Coefisien

	Variable	P-Values	Noted
<b>Direct Influence</b>	GE-> HDI	0.023	Accepted
<b>Indirect Influence</b>	GDP* GE-> HDI	0.000	Accepted

**Significant Level:** <0.05

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confidence can be proven from the results of the second row of the third table of the Path Coefficient which shows the direction of a positive relationship and a significant influence. This is indicated by the results of the second line of the Path Coefficient which shows that the P-Values value is below the 0.05 significance level, namely 0.023. This means that the Gross Domestic Product of each province in Indonesia is good, continues to be stable, and even continues to increase every year, which can make the influence of the government budget and government expenditure stronger so that it has a good impact on the Human Growth Index. Thus, the first and second hypotheses in this study can be accepted.

### **CONCLUSION**

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