

# The Influence of the Human Development Index on Economic Growth in Jakarta

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## ABSTRACT

*Economic growth is a measure of the success of an area. High economic growth, able to meet the needs of the area. An important indicator that can have an impact on increasing the rate of economic growth is the Human Development Index. The purpose of this study is to analyze the impact of the Human Development Index on the economic growth of DKI Jakarta from 2016-2021. This type of research uses a quantitative approach. The method used is simple linear regression analysis and the analysis tool uses E-views 9.0. The results of this study indicate that the Human Development Index has a positive and significant effect on the economic growth of DKI Jakarta.*

**Keywords:** Economic Growth, Human Development Index (HDI).



## INTRODUCTION

Economic growth is a form of goal to develop a region. Improvement growth Economic development can improve the welfare of its people (Hapsa *et al.*, 2018). One indicator for local governments to improve the welfare of their people is by paying attention to the human development index. Because of this, can raise income a region so that it can increase economic growth. This is supported by research ( Nizar, 2013), which states that HDI is a factor that can influence economic growth.

Since resources are part of the production factors and the most valuable assets of any regional economic activity, economic success can be achieved if human development is improved and the quality of human resources is closely related to economic growth. (Raharti *et al.*, 2020).

The main idea behind creating this index is to be able to improve human resources more effectively. quality. HDI as a reference for two important roles in the field of economic development: The first is a new understanding of well-being, measures aimed at promoting human development, and the second is an alternative to GDP per capita as a measure of income levels . Development For cross-country comparisons and across time periods (Elizabeth, 2007).

According to data from BPS DKI Jakarta, the rate of economic growth is measured by looking at the GRDP value on the basis of Constant prices fluctuated from 2016 to 2021, with increases occurring in 2017 and 2021, but a drastic decline in 2020 due to Covid-19. As shown in the following table of DKI Jakarta's economic growth rates:

**Table 1.** Rate Growth Economy DKI Jakarta according to Regency /City Year 2016-2021

Regency	2016	2017	2018	2019	2020	2021
Jakarta Center	6.39	6.01	5.93	6.68	- 0.65	2.34
South Jakarta	6.11	6.3	6.24	6.81	- 0.48	2.42
Jakarta West	6.06	6.48	6.35	6.5	- 0.86	3.62
Jakarta North	4.61	6.39	6.26	3.79	- 6.22	6.02
Jakarta East	6.15	6.25	6.1	5.03	- 4.47	4.77
Kep. One thousand	0.19	1.27	1.87	- 0.095	- 4.94	- 1.54

Source : BPS DKI Jakarta

DKI Jakarta's HDI data related to human development shows an increase from 2016 to 2021. In the Achievement of Human Resource Quality in DKI Jakarta, Jakarta South get a score highest while the Regency Archipelago One thousand get lowest score .The explanation following This:

**Table 2.** Index Development Man DKI Jakarta according to Regency /City Year 2016-2021

Regency	2016	2017	2018	2019	2020	2021
Jakarta Center	80.24	80.49	81.01	81.24	81.39	81.56
South Jakarta	83.93	84.13	84.44	84.75	84.72	84.90
Jakarta West	80.37	80.47	80.88	81.21	81.38	81.76
Jakarta North	78.81	79.47	79.87	80.17	80.29	80.51
Jakarta East	81.30	81.61	82.06	82.69	82.66	82.97
Kep. One	69.69	70.11	70.91	71.40	71.63	72.10

Source : BPS DKI Jakarta

This research was conducted to directly and simultaneously analyze the influence of the Human Development Index (HDI) on the economic growth of DKI Jakarta based on the presentation of GRDP and HDI values. Based on this description, the following problem formulations exist:

1. Does the Human Development Index affect the economic growth of DKI Jakarta?

### Growth Economy

According to Adam Smith's classical theory, there are four factors that influence economic growth: population capacity, capital stock, land area and natural resources, and the application of technology. Schumpeter further explained: who stated that entrepreneurs play a crucial role in economic growth. The tourism sector can create and nurture new entrepreneurs. According to Harrod Domar, capital formation is necessary to achieve maximum economic growth. Meanwhile, Solow focuses on the development of production factors. A high HDI results in the population being able to develop and manage sources of economic growth (Mahroji *et al.*, 2019).

Economic growth It is a process that leads to increased change and efforts to improve institutional systems in all sectors and increase per capita income. The Human Development Index aims to assess societal well-being. Humans are not only objects of development, but also agents of development, positively impacting regional and national success (Asnidar, 2018)

### Index Development Man (HDI)

The *United Nations Development Programme* (UNDP) defines the HDI as "an approach to measuring the level of human development achievement." The HDI is an indicator creation development Which can improve growth economy (Muqorrobin *et al.*, 2017).

High level of human development impact big on The ability of the population to manage and organize existing resources, both in terms of technology and government or private institutions as economic vehicles. Inflation has a negative impact on the economy, especially income, and affects prices, reduces purchasing power and affects the economy (Djohanputro, 2006).

IPM has 3 measurement indicators, namely:

1. Health, Health is an economic phenomenon that is a form of long-term investment, so that health variables can be used as input to increase the value of goods and services or as a goal of the community's desires. Health aims to improve economic well-being as age increases, which is very important. (Takapente *et al.*, 2022).
2. Education, Development of a human-centered education sector impact direct on national economic growth. through the development of human capacity and capabilities. The development of a country's human resources is a key component for growth. economy and the prosperity of the people, therefore the role of education is very important in developing human resource capacity. Higher education in Indonesia plays a very important role in building the nation's capacity Indonesia aims to achieve progress and create prosperity for all levels of society. The role of quality higher education is to produce educated and knowledgeable workers. with intelligence and skills that are able to advance in any field professionally and with integrity (Dzirusydi *et al.*, 2022).
3. Income, Measurement of the dimensions of life appropriate by looking at how much per capita expenditure is for income reference Which can be benchmark for achieving a decent life (Yuliyanto *et al.*, 2022).

## METHOD

This research is quantitative. The data used is supplementary panel data from the Central Statistics Agency in the form of GRDP and HDI. DKI Jakarta. The analysis period was 2016-2021, using simple linear regression analysis and analytical tools from the E-views 9.0 application.

## DISCUSSION

Data analysis using simple linear regression. The results of the data analysis show the influence of the Human Development Index (HDI) on economic growth in DKI Jakarta and the regression using the Eviews 9.0 application. The following are the results of the data processing:

**Table 3.** Results Analysis Statistics

Variables	Coefficient	t-Statistic	Prob.
Constant	- 25.08705	- 2.347961	0.0248
HDI	0.356891	0.133499	0.0115
R- squared	=	0.173691	
Adjusted R- squared	=	0.149388	
Prob (F- statistic)	=	0.011453	

Source: Data processed, 2022

From Table 3, the multiple linear regression equation can be written as follows:

$$Y = -25.08 + 0.356X1$$

The estimated results of the HDI coefficient are 0.356891 with probability  $0.01 < 0.05$  or 5 % so that show that achievement HDI has a significant impact on economic growth, when the HDI rises around 1% will increase economic growth of 0.356891 or 35.68%.

### Coefficient Determination ( $R^2$ )

The coefficient of determination (adjusted R-square) of the system of equations is 0.149388 or 14.93%. This means that the human development index variable is able to influence DKI Jakarta's economic growth simultaneously by 14.93% And variables other by 85.07%.

### Test t

Empirical evidence shows that the Human Development Index (HDI) has a positive and statistically significant influence on Jakarta's economic growth at a real level of 5% ( $\beta = 0.357$ ,  $p < 0.05$ ). Specifically, the elasticity coefficient shows that every 1% increase in the quality of human development is able to amplify regional economic growth by 0.36%. These findings validate the postulate of *Human Capital Theory*, in which the accumulation of human capital—through the dimensions of health, education, and living standards—serves as a fundamental catalyst in increasing labor productivity and accelerating technology adoption. In Jakarta's economic structure, which is dominated by the secondary and tertiary sectors, a workforce with high HDI qualifications has a greater capacity to create technical efficiency and innovation, which in turn drives aggregate output.

These findings reinforce the previous discourse presented by Arisman (2018) and Feriyanto et al. (2020), which emphasized that investment in human capabilities is a crucial determinant for the sustainability of regional macroeconomic performance. In contrast to physical capital accumulation which has *diminishing returns*, improving the quality of HDI has a long-term impact (*increasing returns*) through the *knowledge spillover* mechanism. Therefore, the significance of this variable implies that Jakarta's development strategy oriented towards improving the quality of life is not just a fiscal burden, but an essential productive investment to maintain an inclusive and sustainable economic growth trajectory.

## CONCLUSION

The results of the DKI Jakarta Human Development Index (HDI) in the form of variable coefficient estimates obtained a significant value of 0.0115. This value means that the human development index variable has a significance level of less than 0.05. Therefore, it can be concluded that the human development index variable has an influence . significant on the economic growth of DKI Jakarta. The regression coefficient is positive. This means that when the Human Development Index increases, Jakarta's economic growth increases. Based on these results, the previous hypothesis that the Human Development Index has a positive and significant influence on DKI Jakarta's economic growth is accepted.

The HDI is a metric used to measure human development, comprising life expectancy, literacy rate/average years of schooling, and per capita expenditure. Therefore, the human development index is a crucial factor in regional or national economic growth.

Theory Solow said growth economy can produced from Three factors: increasing the

quantity and quality of human resources, and high life expectancy have the potential to increase the workforce employed in other economic sectors. And an increase in the Human Development Index (HDI) DKI Jakarta can cause positive changes to the rate of economic growth in DKI Jakarta.

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