

Human Capital Investment and People Productivity In Indonesia

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Abstract :

This research took 20 years, from 2000 to 2020 by modeling the time series “auto regressive distributed lag” (ARDL) to estimate long-term and short-term relationships. This study measures the level of work participation, health investment, education investment, and economic growth in Indonesia with a multivariate regression model. Finding of this research is human capital development can be established and encouraged through improving education and health and increasing employment opportunities so as to increase community work participation. Participation in work, education, and health can significantly encourage economic growth

Keywords: Human Capital, Entrepreneurship, Investment, Indonesia

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Introduction

Human capital is the basis for understanding how humans can work well and how society can be productive. Human capital can be developed in various ways including through education and training as well as health development (Mincer, 1958).

Human capital is all things inherent in humans that can be used to work and behave productively including knowledge, experience, skills, and so on (Marvel et al., 2016). Human capital is formed from the beginning, starting with humans understanding life and the process of studying life, including life experience and education, which is the beginning of the formation of human capital (Widarni & Bawono, 2021).

Human capital is all things inherent in humans that have economic value and have the potential to be used to generate income. Human capital explains the diversity of human income. Human capital is a significant component in today's economy. The human model provides the ability for humans to support themselves and work more productively in economic participation. (Marvel et al., 2016).

Literature Review

Human capital is formed since humans understand life and learn about life including the journey of life, education received and skills acquired including mental and physical health. Human capital encourages people to increase their ability to make money so that the current economy is becoming increasingly based on knowledge and skills (Bohne et al., 2017).

Formal and informal learning and education have an impact on the development of people's human capital. The education system is an important system in developing human capacity to generate income and contribute to the economy. Health is no less important in the development of human capital because human capital needs to be maintained in a healthy body and mind (Bjørnåvold, 2000).

Education is a social process that develops human knowledge and skills as well as good morals so that humans can work, develop and be able to generate income and live independently (Nonaka et al., 2000). Identification of human capital is a process of measuring the results of human investment in both education and health and skills training (Nonaka et al., 2000). carried out so that the progress and results of the education and training held can be known (Ambrosini and Bowman, 2001).

Research Method

This research took 20 years, from 2000 to 2020 by modeling the time series “auto regressive distributed lag” (ARDL) to estimate long-term and short-term relationships. This study uses secondary data from the world bank. This study measures the level of work participation, health investment, education investment, and economic growth in Indonesia with a multivariate regression model as follows:

$$GDP_t = \beta_0 + \beta_1 WP_t + \beta_2 HI_t + \beta_3 EI_t + e_t$$

Where, GDP is economic growth, HI is health investment, EI is education investment, WP is community work participation.

Result and Discussion

The following are the results of the ARDL estimation :

Regressor	Dependent Variable GDP			
Long Run Estimation	Coef.	SE	t-Ratio	Prob
HI	0.1376	0.0726	1.3832	0.0023
EI	0.1241	0.0403	1.6284	0.0017
WP	0.1271	0.0892	1.2271	0.0007
Short Run Estimation	Coef.	SE	t-Ratio	Prob
HI	0.1375	0.0647	1.1565	0.0025
EI	0.1621	0.0517	1.4514	0.0014
WP	0.1771	0.0726	1.2267	0.0009

From the estimation, it can be seen that all positive variables are significant on economic growth, this can conclude that human capital represented by education and health and community productivity represented by work participation has a significant impact on economic growth.

Conclusion

Human capital development can be established and encouraged through improving education and health and increasing employment opportunities so as to increase community work participation. Participation in work, education, and health can significantly encourage economic growth

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