ANALYSIS THE EFFECTS OF POVERTY, GENERAL ALLOCATION FUND AND ECONOMIC GROWTH TO HUMAN DEVELOPMENT INDEX (HDI) IN INDONESIA

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ABSTRACT

The aims of this research are to test and analyze the effects of poverty, general allocation fund (DAU) and economic growth to human development index (HDI) in Indonesia. The type of this research is quantitative research. This research used 33 provinces throughout Indonesia (exclude DKI Jakarta). Period of this research was during 2016-2018. Researcher did this research during September 2019-June 2020. The method used in this research is Pooled Data. This research used secondary data and the software of this research used Eviews. 8. The result found that (1) poverty has negatively significant effect (0.000) to human development index (HDI) in Indonesia, (2) general allocation fund has positively significant effect (0.000) to human development index (HDI) in Indonesia and (3) economic growth has no significant effect (0.676) and is negatively related to human development index (HDI) in Indonesia.

Keywords: Poverty, General Allocation Fund, Economic Growth, Human Development Index.

INTRODUCTION

The large population of Indonesia indicates the importance of human development in Indonesia and is one of the main focuses of the sustainable Indonesian government program in line with the global issue proclaimed by the United Nations regarding sustainable development goals. The problem of population growth is not just a matter of numbers, but includes the interests of population welfare and development. In the context of development, there are two types of views on population, first, that population is an obstacle to development and second, there is a view of population as a trigger for development (Manik, 2013). Sendouw (2006) states that as a country, Indonesia is one of the countries that has the largest natural wealth in the world but this does not guarantee the achievement of public welfare. Government policies in increasing economic growth are often not balanced with equal distribution, causing various dilemmas in national development and instead widening the gap between regions and creating multi-layered economic problems, such as poverty, socio-economic inequality, inequality between regions (city-rural, central-regional) (Kuncoro, 2019).

The phenomenon of human resources that occurs in Indonesia, namely the service sector which absorbs labor migration from the primary sector is dominated by the informal service sector with a low contribution to growth. The manufacturing sector, which has the greatest potential to encourage growth and the creation of formal employment, is still facing the challenge of increasing labor wages which have not been followed by an equal increase in productivity (Bappenas, 2019). The human development index (HDI) is an indicator that explains how the population can access development results in earning income, health, education and so on (BPS, 2020). According to the United Nation Development Programs (2020), the value of
Indonesia’s Human Development Index (HDI) is in the high category with the lowest ranking when compared to ASEAN countries such as Singapore, Brunei Darussalam, Malaysia, Sri Lanka, Thailand and the Philippines. Indonesia’s competitiveness is still lagging behind neighboring countries such as Malaysia and Thailand, as well as Asia Pacific countries. In addition, the efficiency component of the Indonesian labor market is still very low (BPS, 2018).

The high poverty rate in Indonesia is also one of the main focuses of the government. Poverty will cause impacts on social problems such as increasing crime and unemployment, decreasing the quality of human resources and ultimately hampering economic growth due to low purchasing power. During 2016-2018 the percentage of poor people in several provinces in Indonesia was still high compared to the national average percentage of poor people. According to Korten theory (1987) regarding the development paradigm that focuses on humans (people centered development), it is explained that reducing poverty and freeing the world’s population from poverty can be done by emphasizing development on the human being, namely a development that focuses on the people themselves. A development that emphasizes human capacity related to knowledge and skills so that individuals and communities are not only objects of development but become subjects and designers and become actors of development itself.

According to Lanjouw et al., (2001) explain that human development in Indonesia is synonymous with poverty reduction. Investments in education and health will be more meaningful for the poor than for the non-poor, because for the poor their main asset is their manual labor. The existence of cheap education and health facilities will greatly help to increase productivity and in turn increase income.

According to previous research by Manik (2013) and Ady Soejoto et al., (2015) explained that the reduction in poverty has a significant effect on increasing the human development index in Indonesia. However, according to previous research by Wardana (2016) and Budirahayu and Nurpita (2017) explained that poverty did not have a significant effect to human development index.

The human development index plays an important role as a measure of government performance and the allocator for determining the General Allocation Fund (DAU) for all provinces in Indonesia (BPS, 2020). The magnitude role of local governments in providing public services cannot be separated by support of central government expenditure to local governments through the General Allocation Fund (DAU) as contained in Law No.32 of 2004 (Hoelman et al, 2016). According to the theory of Musgrave and Musgrave (1989) there are 3 (three) core functions of government, namely stabilization, distribution and allocation. First, stabilization includes the use of taxes, expenditures and monetary policy to influence economic activity. Second, distribution includes policies towards redistribution of national income and wealth for equitable development. Finally, the allocation includes the assignment and use of public resources (spending) to produce public goods and services for the welfare of the masses (Eboh, 2009).

In Indonesia, the large proportion of the general allocation funds (DAU) contained in Law No.33 of 2004 places a high priority on human development (Ady Soejoto et al., 2015). This variable is very important in realizing the national development goals that are fairly and equally. This is explained in Article 28 paragraph 2 of Law Number 33 Year 2004 that each regional fiscal need is a regional need to implement basic public services that must pay attention to the human development index (HDI). During 2016-2018 the realization of the general allocation funds for each region in Indonesia was very volatile. Realization of the general allocation fund for provinces in Indonesia during 2017-2018 tends to be stagnant. The general allocation fund which tends to be stagnant, among others, as the impact of the government policy regarding general allocation funds contained in the 2018 government policy draft, namely encouraging the sharpening of the use of general allocation funds through rationalization of personnel expenditure in the regions and encouraging the effectiveness of general allocation funds in
fulfillment of basic services (Minimum Service Standard) in accordance with the Regulation of the President of the Republic of Indonesia No.79 of 2017.

According to Bappenas (2017) states that other Indonesian problems are improving the absorption pattern and quality of government spending, both central and regional and poverty reduction so that inclusive growth can be achieved and then development results can be enjoyed by all people including the poor. The value of economic growth describes the level of achievement and economic development of a country from one period to the next in order to improve people’s welfare.

According to previous research by Putra and Ulupui (2015), Rahayu et al., (2016) and Mutiha (2018) explained that the general allocation fund (DAU) has a significant effect to human development index (HDI). However, according to previous research by Wiliantara and Budiasih (2016), Widani and Erawati (2016) and Harahap (2017), explained that general allocation fund (DAU) did not have a significant effect to human development index (HDI).

During 2016-2018 the economic growth in Indonesia was very volatile. Provinces that experienced a decline in economic growth in 2018 are West Sumatra province, Riau province, Bangka Belitung Islands province, West Nusa Tenggara province, Kalimantan region and Sulawesi region. In order for economic growth to be in line with human development, it needs to be accompanied by equitable development. With equitable development, there is a guarantee that all residents experience the results of this development. Human development in Indonesia has actually adopted the concept of the human development index (HDI) published by UNDP which is contained in the national medium-term development plan (RPJMN) (Putra and Ulupui, 2015). Increasing economic growth is one of the objectives of a country’s economic sector both in the short and long term.

According to previous research by Badruddin (2011), Ady Soejoto et al., (2015), and Wang et al., (2018) explained that economic growth has a significant effect to human development index. However, there are differences with previous research by Arifin et al., (2015) and Umiyati et al., (2017) explained that economic growth has no significant effect to human development index.

The hypotheses of this study are (1) poverty has a negative and significant effect to human development index, (2) general allocation funds have a positive and significant effect to human development index, and (3) economic growth has a positive and significant effect to human development index. The purpose of this study are to examine and analyze the effect of poverty, general allocation funds and economic growth to human development index (HDI) in Indonesia.

**METHOD**

The technique of this research used explanatory research, which is testing and analyzing the effect of poverty, general allocation funds and economic growth to human development index in Indonesia. The samples of this research were 33 provinces of Indonesia (not including DKI Jakarta). The research period was conducted for 3 years, from 2016 to 2018. Reseacher did this research during September 2019-Juni 2020. The data used in this study are quantitative data and are sourced from secondary data collected from official government publications. In this study data regarding:

2. Poverty in this study, namely the percentage of poor people in the province sourced by Statistics Indonesia (BPS, 2020).
3. Economic growth in this study is the percentage of gross regional domestic product at constant prices sourced by Statistics Indonesia (BPS, 2020).
4. The Human Development Index is measured by the percentage value of the human development index for each province sourced by Statistics Indonesia (BPS, 2020).

The data collection method used in this research is non-behavioral observation where the researcher is an independent observer. Data collection is obtained by studying scientific theories related to research variables through books, journals, theses and other supporting documents. The sampling method used in this study was purposive sampling. Purposive sampling is sampling with considerations based on the interest or purpose of research (Suharyadi, 2009). This research uses Eviews 8 analysis program and panel data regression (pooled data) analysis.

**RESULTS AND DISCUSSION**

**Result**

**Classic Assumption Test**

**Data Normality Test**

This study used the Jarque-Bera normality test to see the normality of the data. This test uses the Jarque-Bera probability value to see whether the data is normally distributed or not.

![Figure 1. Data Normality Test](source_image)

Figure 1 shows that the Jarque-Bera probability value is 0.862 which is more than 0.01 so it can be concluded that the data in this study were normally distributed.

**Multicollinearity Test**

This test aims to see whether the regression model finds multicollinearity problems between the independent variables or not. If there is no multicollinearity problem, the regression coefficient value can be estimated accurately. Multicollinearity detection in the model is seen through the variance inflation factor (VIF) value. If the VIF is more than 10, it is said that there is a multicollinearity problem. If the VIF is less than 10, it is said that there is no multicollinearity problem.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient Variance</th>
<th>Uncentered VIF</th>
<th>Centered VIF</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>131.1513</td>
<td>1694.011</td>
<td>NA</td>
</tr>
<tr>
<td>Poverty</td>
<td>0.002454</td>
<td>5.015382</td>
<td>1.044971</td>
</tr>
<tr>
<td>DAU</td>
<td>0.150075</td>
<td>1728.079</td>
<td>1.040468</td>
</tr>
<tr>
<td>PE</td>
<td>0.024437</td>
<td>9.749176</td>
<td>1.015568</td>
</tr>
</tbody>
</table>

Table 1: Multicollinearity Test


Table 1 shows that the VIF value on all research variables is less than 10, so it can be concluded that in this research regression model there is no multicollinearity problem between the independent variables.
Heteroscedasticity Test
This test aims to see whether the variance of the residuals is different or the same for all observations. The occurrence of heteroscedasticity causes the model to be inefficient. To see whether there is heteroscedasticity in the model, the LM Breusch-Pagan-Godfrey test is used with the condition that if the probability is more than 0.01, it means that heteroscedasticity does not occur. If the probability is less than 0.01, it means heteroscedasticity occurs.

Table 2. Heteroscedasticity Test

<table>
<thead>
<tr>
<th></th>
<th>F-statistic</th>
<th>Prob. F(3,95)</th>
<th>0.1504</th>
</tr>
</thead>
<tbody>
<tr>
<td>Obs*R-squared</td>
<td>5.356086</td>
<td>Prob. Chi-square(3)</td>
<td>0.1475</td>
</tr>
<tr>
<td>Scaled explained SS</td>
<td>15.20017</td>
<td>Prob. Chi-square(3)</td>
<td>0.0017</td>
</tr>
</tbody>
</table>


Table 2 shows that the Obs * R-squared value has a prob value. chi-square in the amount of 0.1475 which means more than 0.01. This means that there is no heteroscedasticity in the variables.

Autocorrelation Test
This test aims to see the correlation between members of the observations sorted according to time and space. A good regression model is a regression that is free from autocorrelation. The autocorrelation test can be seen through the Durbin-Watson (DW) test. The provisions of whether the model is subject to autocorrelation or not are:

1) If dU <DW <4-dU, it means that there is no autocorrelation
2) If DW <dL, it means that there is positive autocorrelation
3) If DW> 4-dL, it means that there is negative autocorrelation
4) If 4-dU <DW <4-dL, there is no decision

Table 3. Autocorrelation Test

<table>
<thead>
<tr>
<th>Positive Autocorrelation</th>
<th>Doubtful</th>
<th>There is no autocorrelation</th>
<th>Doubtful</th>
<th>Negative Autocorrelation</th>
</tr>
</thead>
<tbody>
<tr>
<td>dl</td>
<td>1.6108</td>
<td>1.7355</td>
<td>2.027543</td>
<td>2.2645</td>
</tr>
</tbody>
</table>


Table 3 shows that dU (1.7355) < DW (2.027543) < 4-dU (2.2645), which means that there is no autocorrelation problem in this research.

Goodness of Fit Regression Model Test
The goodness of fit regression model test is used to measure the accuracy of the sample regression function in estimating the actual value. Statistically, the goodness of fit test can be measured by the value of the coefficient of determination ($R^2$), the value of the F statistic (simultaneous significance test) and the t statistical value (significant test for individual parameters).

Table 4. Regression Test Results

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>-98.46443</td>
<td>33.82748</td>
<td>-2.910782</td>
<td>0.0050</td>
</tr>
<tr>
<td>POVERTY</td>
<td>-0.731382</td>
<td>0.090138</td>
<td>-8.114014</td>
<td>0.0000</td>
</tr>
<tr>
<td>DAU</td>
<td>5.902608</td>
<td>1.121330</td>
<td>5.263934</td>
<td>0.0000</td>
</tr>
<tr>
<td>PE</td>
<td>-0.015173</td>
<td>0.036145</td>
<td>-0.419770</td>
<td>0.6761</td>
</tr>
</tbody>
</table>

Table 4 shows the value of the coefficient on each variable, then the regression equation is as follows: \( Y = -98,464 \times 0.731 \beta_1 + 5,903 \beta_2 - 0.015 \beta_3 + \mu \).

The results of the regression equation above can be interpreted as follows:

1) The constant value \( a = 98,464 \), meaning that if there is no poverty, general allocation funds and economic growth, the human development index will decrease by -98.464 percent.

2) The value of the coefficient \( \beta_1 = -0.731 \), meaning that if there is an increase of 1 unit in the poverty variable and the other variables are considered constant, there will be a decrease in the HDI variable (Y) by -0.731 percent.

3) The coefficient value \( \beta_2 = 5,903 \), meaning that if there is an additional fund of IDR 1 in the general allocation fund variable and the other variables are considered constant, there will be an increase in the HDI variable (Y) of 5.903 percent.

4) The coefficient value \( \beta_3 = -0.015 \) means that if there is an increase of 1 unit in the economic growth variable (X3) and the other variables are considered constant, there will be a decrease in the HDI variable (Y) of -0.015 percent.

Coefficient of Determination (\( R^2 \))

The coefficient of determination (\( R^2 \)) is used to measure the ability of the model to explain the variation in the dependent variable. The coefficient of determination ranged between zero and one (0 <\( R^2 <1 \)). The value of \( R^2 \) which is getting closer to zero means that the ability of the independent variable to explain the dependent variation is very limited. Conversely, if the value of \( R^2 \) is close to one, it means that the independent variable provides almost all the information needed to predict the variation in the dependent variable. In the research, the researcher used the Adjusted R Square value to see the coefficient of determination in the model.

Table 5. \( R^2 \) Regression Results

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>R-squared</td>
<td>0.994</td>
</tr>
<tr>
<td>Adjusted R-squared</td>
<td>0.990</td>
</tr>
<tr>
<td>F-statistic</td>
<td>307.0295</td>
</tr>
<tr>
<td>Prob(F-statistic)</td>
<td>0.000000</td>
</tr>
</tbody>
</table>


Table 5 shows that the adjusted R-squared value is 0.9909, means that simultaneously the poverty variable (X1), general allocation funds (X2) and economic growth (X3) have an effect of 99.09 percent on the HDI variable (Y) while the remaining 0, 91 percent is influenced by other variables outside the independent variable.

Simultaneous Test (Test Statistic F)

This test is used to test whether statistically the regression coefficient of the independent variables together has an effect on the dependent variable (Ghozali, 2013). The greater the value of \( R^2 \), the greater the value of F. However, if the value of \( R^2 = 1 \), then F becomes infinite. In addition, the statistical F test was used to test the significance of \( R^2 \). From table 5, it can be seen that the probability value (F-statistic) is 0.0000 shows that simultaneously the poverty variable, general allocation funds and economic growth have a significant effect on the human development index (HDI).

Partial Test (t Statistical Test)

The t test is used to determine whether the independent variable individually affects the dependent variable. This test is carried out by a two-sided test with a confidence level of 95% or \( \alpha = 5% \) with hypothesis \( H_0: \beta_1=\beta_2=\beta_3=0 \) dan \( H_a: \beta_1\neq\beta_2\neq\beta_3\neq0 \).
### Table 6. Hypothesis Testing Results

<table>
<thead>
<tr>
<th>Hyp</th>
<th>Independent Variable</th>
<th>Dependent Variable</th>
<th>Coefficient Value</th>
<th>t statistic</th>
<th>p-value</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>Poverty</td>
<td>HDI</td>
<td>-0.731</td>
<td>-8.114</td>
<td>0.000</td>
<td>Significant</td>
</tr>
<tr>
<td>H2</td>
<td>General Allocation Fund</td>
<td>HDI</td>
<td>5.903</td>
<td>5.264</td>
<td>0.000</td>
<td>Significant</td>
</tr>
<tr>
<td>H3</td>
<td>Economic Growth</td>
<td>HDI</td>
<td>-0.015</td>
<td>-0.420</td>
<td>0.676</td>
<td>Not significant</td>
</tr>
</tbody>
</table>


Table 6 shows that the variable poverty and general allocation funds have a significant effect on the human development index (HDI) with a probability value is 0.000, while the economic growth variable has no significant effect on the human development index (HDI) with a probability value is 0.676.

### Discussion

The results of this study indicate that poverty has a negative and significant effect on the human development index. This is consistent with the previous hypothesis where poverty has a negative effect on the human development index in Indonesia. This research supports the opinion of Fosu (2007) explaining that countries with relatively large poverty levels tend to show low human development index values. The low value reduces the values in development. Very high inequality (as an indicator of development) is unable to clearly describe the condition of poverty. The things that cause poverty in Indonesia during 2016-2018 are 1) inequality in urban and rural areas is still high, where the poverty rate in rural areas is higher, 2) the decline in unemployment is not optimal, 3) implementation of various assistance is implemented partially and less integrated, 4) inaccurate targeting of various programs causes assistance to be less effective in alleviating the burden of the poor and vulnerable, 5) efforts to equalize inequality by the government through village funds have not worked optimally because the bureaucracy of disbursing village funds is still slow and inaccurate targeting assistance program for the poor, 6) empowerment for farmers is still lacking, 7) the poor are very sensitive to food price increases, 8) inflation conditions in rural areas are relatively higher than in urban areas, economic growth in urban areas is relatively good, especially in the industrial sector and construction yes This causes the wages of manual laborers in urban areas to increase compared to rural areas, and there is a slowdown in the increase in wages for agricultural laborers in rural areas, which is accompanied by an increase in the number of small farmers, especially in Java. The results of this study are consistent with previous research by Manik (2013); Adelfina and Jember (2016) and Syofya (2018) state that poverty has a significant effect on the human development index. This study are not consistent with previous research by Wardana (2016); Budirahayu and Nurpita (2017) state that poverty does not have a significant effect on the human development index.

The general allocation fund (DAU) has a positive and significant effect to human development index. This is in accordance with the previous hypothesis where general allocation funds have a positive and significant effect on the human development index in Indonesia. This study supports previous research by Putra and Ulupui (2015) that the increase in general allocation funds (DAU) allows an increase in community welfare as measured by the Human Development Index (HDI) if the allocation of funds is appropriate and runs according to the target. The problem of general allocation funds (DAU) in Indonesia, namely 1) the need to improve the absorption pattern and quality of government spending, both central and regional, 2) low tax compliance and low tax base coverage causes limited fiscal space to finance development, 3) high state expenditure burden which are mandatory in nature, 4) there are still provinces with low regional self-reliance ratios, and 5) transfer funds to regions and village funds are constrained by the management and capacity of the regional management apparatus as well as the regulation / regulation of central and regional financial relations. One of the government's steps to overcome this problem is then realized in the design of the government policy (RKP) in
2018, namely encouraging the sharpening of the use of general allocation funds (DAU) through rationalization of personnel expenditure in the regions and encouraging the effectiveness of general allocation funds (DAU) in fulfilling basic services (Standard Minimum service) in accordance with the Presidential Decree of the Republic of Indonesia No.79 of 2017. The results of this study are consistent with previous research by Putra and Ulupui (2015); Rahayu et al. (2016); Mutíha (2018) and Udoh et al. (2015) stated that general allocation funds have a significant effect on the human development index. This study are not consistent with previous research by Harahap (2017); Widani and Erawati (2016); Wiliantara and Budiasih (2016); Adiputra et al. (2015); Dewi and Sutrisna (2014) state that the general allocation funds do not have a significant effect on the human development index.

Economic growth has no significant effect to human development index. This is not in accordance with the previous hypothesis where economic growth has a positive and significant effect on the human development index in Indonesia. This research supports previous research by Putra and Ulupui (2015) explained that in order for economic growth to be in line with human development, it needs to be accompanied by equitable development. With equitable development, there is a guarantee that all residents experience the results of this development. Human development in Indonesia has actually adopted the concept of the Human Development Index (HDI) published by UNDP which is contained in the National Medium Term Development Plan (RPJMN). This is due to the condition of human development which is realized through government programs on indicators of health, education and decent living which are still not optimal and still need to be improved. The results of this study are consistent with previous research by Umiyati et al. (2017) and Arifin et al. (2015) stated that economic growth has no significant effect to human development index. This study are not consistent with the previous research Ady Soejoto et al. (2015); Badrudin (2011); Adelfina and Jember (2016); Widani and Erawati (2016); Dewi and Sutrisna (2014); Syofya (2018); Wang et al. (2018); Muslikhati (2018); Dewi (2017) and Lumbantoruan and Hidayat (2014) state that economic growth has a significant effect to human development index.

CONCLUSION

The results of this study indicate that poverty has a negative and significant effect on the human development index. The results of this study prove that both theoretically and previous empirical studies explain that poverty reduction can increase the human development index in Indonesia. Through this process, it is hoped that the Indonesian government, both central and local, can improve poverty alleviation programs that are more comprehensive and on target so that the poverty rate in Indonesia can be reduced. The results of this study support Fosu (2007) that countries with relatively large poverty levels tend to show low human development index values. The general allocation fund has a positive and significant effect on the human development index. The results of this study prove that the role of general allocation funds is able to increase the human development index in Indonesia. Government policy by encouraging the sharpening of the use of general allocation funds (DAU) through rationalization of personnel expenditure in the regions and encouraging the effectiveness of general allocation funds (DAU) in meeting basic services (Minimum Service Standards) is expected to be able to streamline government spending through work programs that are optimal and on target and based on improvement of community welfare. Even though in reality there are still constraints on the management and capacity of the regional management apparatus as well as the regulation or regulation of central and regional financial relations, it is hoped that the central and regional governments will be able to improve the quality of human resources and the performance of the state civil apparatus so that the mobilization of the allocated general allocation funds can be utilized accordingly with the design of work programs of each region which in the end can improve the welfare of the community and reduce fiscal and economic inequality in the local community. Economic growth has no significant effect on the human development index. The results of the research prove Hirschman theory (1958) that if a region experiences development it will influence other regions. Government policies in increasing economic growth are often not balanced with equal distribution, causing various dilemmas in national development which
actually widen the gap between regions and create multi-layered economic problems, such as poverty, socio-economic inequality, inequality between regions (city-rural, central-regional). The conditions of human development that are realized through government programs on indicators of health, education and decent living are still not optimal and still need to be improved.

RECOMMENDATION

The poverty rate in several provinces is still high. The highest poverty rate was found in Papua province during 2016-2018. Government policies play a very important role in reducing poverty in the province of Papua and in other provinces in Indonesia. In addition, the community must also play an active role in empowering themselves to be able to improve their quality. The government has made policies and budgets for the poor through poverty funding assistance. If they are unable to continue their education, the community must seek assistance from the relevant authorities so that they are empowered through programs to improve the quality of human resources.

The general allocation fund (DAU) by the government has made a tightening policy and budget efficiency. This is intended so that funds channeled from the central government to regional governments can be used in order to optimize public services and increase the human development index. There are still provincial governments that have a low ratio of regional financial independence and a high level of dependence on central funds. The provincial government must endeavor to increase local revenue (PAD) by optimizing potential regional revenue resources. The central government's policy of budget efficiency is carried out because of the state's financial condition in 2018. Strategic steps are needed so that existing funds can be channeled and utilized for the welfare of the community.

The condition of the human development index (HDI) continues to increase every year. However, during 2016-2018 Papua province was the province with the lowest HDI level in Indonesia. Papua Province with its geographic conditions makes access to health, education and the economy difficult to reach, making it difficult for people to carry out their daily activities. The government must continue to strive so that the obstacles that hinder Papuans from accessing education, health and the economy can be resolved as soon as possible. Given this condition is a condition that has been a problem for the community for years.

Indonesia's economic growth has been gradually improving after the global economic slowdown. The government must strive to improve public welfare, especially in the fields of education and health, considering that these two fields are the areas that most determine the quality of a country's human resources. In addition, there is a need for innovation and the use of technology in sectors that drive the economy in order to increase the added value and competitiveness of both goods and services produced.

REFERENCE


