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# The Effect of Government Expenditure and Human Capital on the Trend of Economic Growth in Indonesia 2014-2023

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**Abstract.** Trend economic growth means growth that gives everyone fair access and opportunity, increases welfare and reduces inequality between groups and regions. With an effective government role in budget distribution, economic growth can be achieved. Indonesian government spending increases almost every year, along with the human development index that continues to increase, as well as spending on health and education. The type of research used is quantitative. The method used in this research is Time Series data and hypothesis testing using Partial Test (Ujit t), Simultaneous Test (F Test), and Determination Test (R2 ). The data used is secondary data with the type of time series data in the observation period, namely 2014 to 2023. Government Expenditure (X1), Human Capital (X2) and Economic Growth (Y) with Statistical Test using eviews 10 application. The results showed that partially the government expenditure variable had a negative and insignificant effect on the trend of economic growth in Indonesia, the human capital variable had a positive and insignificant effect on the trend of economic growth in Indonesia. While simultaneously, government spending and human capital have a positive and significant effect on the trend of economic growth in Indonesia.

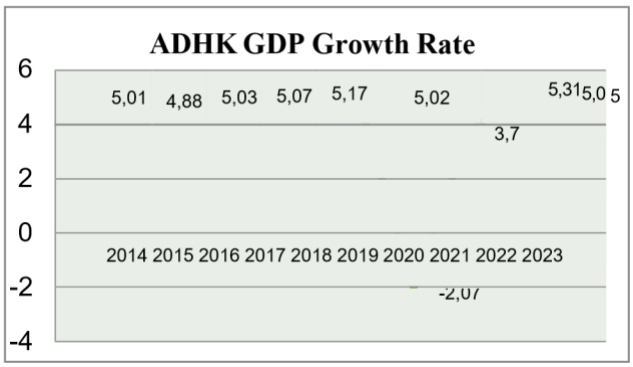
**Keywords:** Economic Growth, Government Expenditure, Human Capital

## 1 Introduction

Economic growth is a long-term issue, and in recent times, economic growth has become an important phenomenon around the world. In modern terms, economic growth is defined as a process of growth in output per capita in the long term, which means that an increase in output per capita results in increased welfare and increased purchasing power of the community (Yuniar Sri Hartati, 2021). Sustainable economic development is very important for developing countries, especially Indonesia. Economic growth that requires the participation of all parties in creating economic growth, so that poverty, inequality, and unemployment will fall when the economy starts to develop (Shinta Nadia Afriliana & Seyio Tri Wahyudi, 2022).

Indonesia's economic growth has shown fluctuating progress. Many factors, both economic and non-economic, can cause this economic growth. Economic factors may include government policies, such as fiscal and monetary policies, and the economic conditions of other countries; non-economic factors may include natural disasters, socio-cultural issues, and others.

The following presents data on the Growth Rate of ADHK Gross Domestic Product in Indonesia for the last 10 years (2014-2023):




*Source: BPS Indonesia (2024)*

**Fig. 1.** Graph of ADHK GDP Growth Rate in Indonesia 2014-2023 (Percentage)

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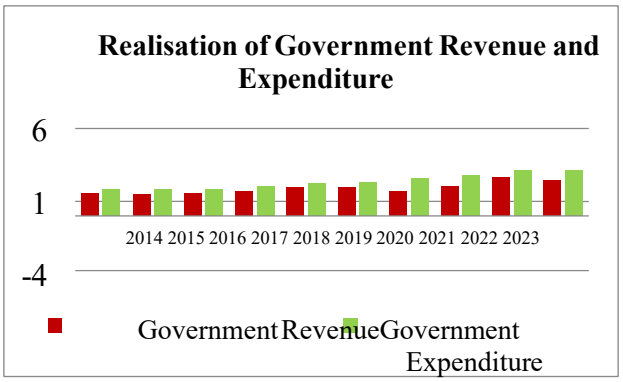
Based on the data above, it can be seen that the rate of economic growth in Indonesia is fluctuating. In 2014 towards 2015 there was a decrease of 0.13%. The main cause of the decline in economic growth in 2015 was the decline in household consumption. Throughout 2015, household consumption was only able to grow by 4.96%. This figure was lower than the previous two years which reached 5.43 in 2023 and 5.16 in 2014. Then it rose again in 2016, supported by domestic inflation which was maintained. It is estimated that inflation in 2016 grew by 4.7% and economic growth by 5.3%. To reduce inflation can be done by overcoming the high cost economy and lowering logistics costs in Indonesia. Another factor influencing the improvement of economic growth is the structural reform of the condition and tends to stabilise until 2019. And in 2020 experienced a very steep decline to (-2.07%). This very steep decline was the negative impact of the Covid-19 Pandemic which began to spread in Indonesia in early 2020. This caused many restrictions on the movement of people and the movement of goods, thus hampering production and distribution. However, in 2021 there was an increase of 1.63%, this was influenced by the policies carried out by the government that had begun to normalise again. This has a good impact on the production and distribution process, so as to increase income and community welfare. In 2022-2023, economic growth conditions experienced a significant increase and tended to stabilise compared to 2020. According to ADB (*Asian Development Bank)* data, Indonesia is a country in Southeast Asia with an economic growth rate that has at least increased steadily in recent years.

With the role of government, economic growth can be achieved. The role of the government is related to fiscal policy, namely effective budget allocation. The government can set a budget for economic development programmes that have been planned to achieve the goal of improving people's welfare and optimise economic growth. This budget includes budgets for health, education, and economic functions (Meilissa Ike Dien Safitri, 2021). Data on Government Expenditure in Indonesia, tends to increase every year, as shown in the data below:



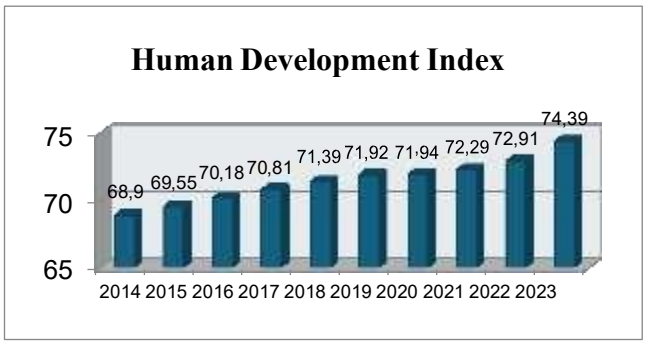

*Source: DJPK Ministry of Finance (2023)*

**Fig. 2.** Graph of Government Expenditure in Indonesia 2014-2023 (Trillion)

Based on the data above, it can be seen that state spending in Indonesia continues to increase from year to year. In 2023 the amount of 3,123.7 trillion was the highest realisation of state expenditure while the lowest realisation of state expenditure in 2014 was 1,777.2 trillion When viewed from the whole of 2014-2023 the highest realisation of state expenditure was on Central Government Expenditure of 13,871,579 trillion. Judging from the data above that the realisation of state revenue is lower than state spending. With high government spending but not matched by revenue realisation, this can have an impact on economic growth because high state spending is not necessarily able to increase economic growth if state spending is not optimised properly and appropriately.

Improving the quality of human capital is essential for education and health, in addition to direct and indirect government spending. Education is considered as the main means to increase the quantity of labour, the new theory of economic growth states that the quality of human capital, such as education, is essential to achieve sustainable economic growth and development. If the quality of human resources in various fields is low, the development of various aspects of life will be left behind and economic growth will be hampered. By improving human capabilities, education is expected to overcome economic backwardness and improve people's welfare (Tatang Hidayat, Ahmad Syamsu Rizal & Fahrudin, 2018).

Improved investment in human resources, or improved human capital, is an important component in realising inclusive economic growth. Human capital is considered to have the ability to drive economic growth and poverty alleviation. Improved education and health status will improve the quality of labour at work, which in turn will produce better output (Raheem, I. D., Isah, K. O., & Adedeji, A. A, 2018). The following is data on the Human Development Index in Indonesia 2014-2023:




*Source: BPS Indonesia (2024)*

**Fig. 3.** Graph of Human Development Index in Indonesia 2014-2023 (Percentage)

Based on the above, it can be seen that the human development index in Indonesia is highest in 2023 at 74.39%, an increase of 1.48% when compared to 2022, this is driven by the recovery of growth in the dimension of decent living standards represented by adjusted real per capita expenditure. The average growth of real expenditure per capita during 2020- 2023 reached 2.61 percent and the lowest in 2014 was 68.9% due to the lack of government role to optimise good human development. The Human Development Index in Indonesia is ranked 114th in 2021 from several countries in the world, when viewed from this ranking, human development in Indonesia cannot be said to be good. The role of the government is needed in human development related to human capital. Where if the capital is getting better, it will increase the productivity of economic growth in Indonesia.

Better quality human resources will improve people's welfare and, ultimately, a country's economic growth. To achieve economic success in the long run, education is as important as physical capital. Education is critical to improving a country's ability to adopt modern technology and build capacity for sustainable growth and development (Ryozky Frederich, Nurhayati, and Samuel Fery Purba, 2023).

In line with the above background based on previous research according to research by Meilissa Ike Dien S, Candra Fajri A, & Ferry Prasetyia (2021) the variable government spending on economic, education & health functions has a positive and significant effect on long-term inclusive economic growth. Furthermore, according to Ghina Nabila Ali (2023) human capital variables described by health and education have a significant effect on economic growth. Based on the background description described above, the authors are interested in conducting research entitled "Analysis of the Effect of Government Expenditure, and Human Capital on the Trend of Economic Growth in Indonesia in 2014- 2023".

## 2 Literature Review

### 2.1 Economic Growth

Economic Growth is the increase / change in national income (national production / GDP / GNP) in a certain year, regardless of population growth and other aspects. Economic growth is "a long-term increase in a country's ability to provide more economic benefits to its population" (Arsyad, L. *Development Economics*. STIE YKPN, (2000). Here are some of the main theories related to economic growth:

#### *2.1.1 J.M Keynes Theory*

Keynes' theory of economic growth agrees that monetary and fiscal policies should be used to tackle unemployment and lower the rate of inflation. The Keynesian concept emphasises how important the role of government is in promoting economic growth. Market economies seem to find it difficult to guarantee the availability of goods that people need and often lead to uncertainty, inequality and ineffectiveness. Economic instability, inequality and inefficiency will inevitably hamper economic growth.

#### *2.1.2 Neocalyptic Theory*

Neoclassical theory, also known as the Solow-Swan model of economic growth, was first proposed by Adam Smith and later proposed by Robbert Solow san TW. This theory states that there are three main factors that affect economic growth: capital, labour, and technological progress. It also assumes that an increase in the number of

workers can increase per capita income, but without modern technological progress, per capita income will not increase.

### *2.1.3 Historical Theory*

Many economists developed this theory, such as Karl Bucher, Werner Sombart, and Frederich List. Karl argued that a country's economic growth is influenced by the relationship between producers and consumers, which also occurs in communities, cities, and around the world. Werner Sombart, on the other hand, calcifies the role of society in the economic growth of a particular economic stage.

This concept discusses economic growth as a process of increasing the economic status of a country as a result of an increase in the country's production capacity (output) on an ongoing basis and in the long term which is reflected in the form of an increase in GNP (Hilmi & Hamka, 2021). Related to this, the indicator used to measure economic growth is data on economic growth in Indonesia from 2014 to 2023.

## 2.2 Government Expenditure

Theories of government expenditure describe ideas and principles that explain the role, purpose, and influence of government spending on the country's economy (Kuncoro, M, 2003). Here are some of the main theories about government spending:

### *2.2.1 Keynesian Theory*

Government spending can play an important role in stabilising the economy, especially during recessions, according to Keynesian theory. This theory says that the government can increase public spending to stimulate the economy when aggregate demand (total demand in the economy) is low. This can raise incomes, create new jobs, and increase public consumption.

Active Fiscal Spending: Keynesians propose an increase in fiscal spending to boost aggregate demand during recessions.

Multiplier Effect: Overall economic output will be affected more by each unit of government spending.

### *2.2.2 Neoclassical Theory*

Neoclassical theory emphasises efficiency and market equilibrium. This theory argues that government spending should be limited because efficient resource allocation will result in more efficient government spending. disrupts resource allocation and leads to economic inefficiency. This theory emphasises the importance of a balanced budget and avoiding fiscal deficits.

Crowding Out Effect: Since the government absorbs most of the resources (such as capital and labour), which would otherwise belong to the private sector, an increase in government spending may reduce private investment.

### *2.2.3 Endogenous Growth Theory*

This theory emphasises that government spending in certain areas, such as infrastructure, education, and health, can increase economic growth in the long run. According to this theory, government investment in the development of public infrastructure and human capital can increase productivity and promote sustainable economic growth.

Infrastructure and human capital: It is argued that increased productivity and economic growth can be achieved through government spending on infrastructure development and improving the quality of the workforce, especially in education and health.

### *2.2.4 Public Choice Theory*

Public choice theory looks at government spending from a political perspective. This theory says that political interests often drive government spending decisions rather than rational economic considerations. It also shows how politicians and bureaucrats can make inefficient or corrupt decisions because they are acting out of personal or group interests. Political effects: Political considerations such as efforts to win elections or gain the support of certain groups often influence public spending decisions.

### *2.2.5 Fiscal Illusion Theory*

Tax illusion theory states that citizens often do not have an accurate understanding of the true cost of government spending because they have a false understanding of taxes and public spending. This can lead to greater support for government spending than is warranted.

Impact of Government Spending:

Government spending can affect the economy in various ways, such as: Economic stabilisation: Government spending can help stabilise the economy during times of high inflation or recession.

Income redistribution: Social assistance and other government spending can reduce income inequality.

Infrastructure development: Investment in infrastructure can improve competitiveness and economic efficiency.

Overall, these theories provide different perspectives on how government spending should be managed and how it impacts the economy.

### 2.3 Human Capital

Human Capital Theory is an economic theory that emphasises the importance of investment in people as one of the key factors in increasing productivity and economic growth. It views human capabilities, skills, knowledge and health as "capital" that can be enhanced through investment, especially in education and training.

Human capital is considered an asset that can be invested in and leveraged, similar to physical capital (such as machinery or equipment), and refers to the stock of knowledge, skills, and experience possessed by individuals that can be used to increase their productivity at work.

Some important points related to human capital theory are:

1. Invest in Education and Training: One of the main ways to increase human capital is by providing formal education, such as schools and universities. The theory states that a person's productivity is positively correlated with his level of education, which in turn is positively correlated with his income.
2. Health as Human Capital: Good health is also considered part of human capital. Healthy people are more productive and contribute more to the workforce if they make investments in health care and wellness.
3. Work Experience and Lifelong Learning: Work experience and lifelong learning are important components of human capital. People with more experience usually have higher skills, which means they are more productive.

## 3 Research Methods

This type of research is quantitative research. The quantitative approach is an approach that emphasises the submission of theories or hypotheses through measuring research variables in numbers and analyzing data with static procedures and systematic modelling. The type of data used in the study is secondary data in the form of *time series* data with a span of the last 10 years, namely in the 2014-2023 period. The data source is obtained from data published by BPS, and other supporting data from literature books, journals and the internet. The population taken in this study is the number of data reports on Government Expenditure, *Human Capital*, and Economic Growth in Indonesia in 2014-2023. The method used in sampling this research is to use saturated sampling (the entire population is used as a research sample) which uses a 10-year sample in the period 2014 to 2023. The method used in collecting data to conduct research is *Library Research,* and *Internet Research.*

The data analysis method uses statistical calculations with the application of eviews 10. The methods used are Multiple Linear Regression Model Estimation, Classical Assumption Testing and Hypothesis Testing. The multiple linear regression equation is :

$$PE = ß0 + ß1BP + ß2IPM\ e$$

## 4 Results and Discussion

This study analyses the effect of government spending, human capital, on economic growth trends in Indonesia in 2014-2023. Therefore it is necessary to see how the general picture of Government Expenditure, Human Capital, on Economic Growth in Indonesia from year to year.

**Table 1.** Research Data

| Year | Economic Growth (%) | Government Expenditure (IDR) | Development Index Human (%) |
|---|---|---|---|
| 2014 | 5,24 | 1.203.577 | 68,9 |
| 2015 | 5,42 | 1.319.549 | 69,55 |
| 2016 | 5,66 | 1.154.018 | 70,18 |
| 2017 | 5,76 | 1.265.359 | 70,81 |
| 2018 | 5,77 | 1.453.63 | 71,39 |
| 2019 | 5,97 | 1.496.314 | 71,92 |
| 2020 | 5,54 | 1.832.951 | 71,94 |
| 2021 | 6,00 | 1.926.965 | 72,29 |
| 2022 | 6,31 | 2.280.028 | 72,91 |
| 2023 | 6,42 | 2.298.242 | 74,39 |

Source: BPS data (2024)

Based on the table above, it is known that the rate of economic growth in Indonesia is fluctuating. Seen in 2014 towards 2015, it decreased by 0.13%. The main cause of the decline in economic growth in 2015 was the decline in household consumption. Economic growth experienced a very steep fluctuation in 2020 to (-2.07) a very steep decline as a negative impact of the Covid-19 Pandemic which began to spread in Indonesia in early 2020. Then it is known that government spending has always increased every year. When viewed from the realisation of state revenue and expenditure in Indonesia, the realisation of revenue is lower than government expenditure. Recorded in 2023 is the highest realisation of government spending, this is not a problem if the state has an effective carrying capacity to meet the various needs of the community because having a large government expenditure is able to support economic growth. Furthermore, it can be seen that the Human Development Index in Indonesia continues to increase every year. The lowest HDI in Indonesia in 2014 was 68.9%, this is because there is still a lack of government role to optimise good human development. Furthermore, the highest HDI in 2023 was 74.39%, driven by the recovery of growth in the dimension of decent living standards represented by adjusted real expenditure per capita. The average growth of real per capita expenditure during 2020-2023 reached 2.61 per cent.

### 4.1 Normality Test

The normality test is carried out to test whether the residuals in a regression model are normally distributed or not. The test used is the *Jarque Berra* test. The criteria used in this test are if the p probability value of the JB statistic is large or in other words if the statistical value of JB is not significant (JB probability> a = 5%) is normally distributed, if the p probability value of the JB statistic is small or significant (JB probability < a = 5%), then we reject the hypothesis that the residuals have an abnormal distribution (Agus Widarjono, 2018).

**Table 2**. Normality Test

Series: Residuals
Sample 2014 2023

| | |
|---|---|
| Observations | 10 |
| Mean | -9.64e-16 |
| Median | 0.011985 |
| Maximum | 0.145151 |
| Minimum | -0.196586 |
| Std. Dev | 0.106200 |
| Skewness | -0.295478 |
| Kurtosis | 2.433097 |
| Jarque-Bera | 0.279420 |
| Probabilitiy | 0.869611 |

*Source: Eviews 10 output (data processed in 2024)*

Based on the image of the data processing results, the results show that the Jb (Jarque Bera) value is 0.279420 and the probability value of 0.869611 is greater than 5%. Based on the JB statistical assessment criteria, with a probability value of 0.869611 greater than *a* = 5%, namely 0.05, it can be said that the residuals are normally distributed, so the regression can be used for further testing.

### 4.2 Multicollinearity Test

The presence or absence of multicollinearity symptoms using *Tolerance Value* or *Variance Inflation Factor* (VIF). If the VIF value is above 10 then there are symptoms of multicollinearity and vice versa if the VIF value is below 10 then there are no symptoms of multicollinearity (Agus Widarjono, 2018).

**Table. 3** Multicollinearity Test

| Variables | VIF value |
|---|---|
| Government Expenditure | 6.120615 |
| Human Capital | 8.464432 |

*Source: Eviews 10 output (data processed in 2024)*

Based on the table above, we can see the results of the multicollinearity test using the Variance Inflation Factor (VIF) method, it is known that the calculation of the VIF value of all independent variables, namely government spending, human capital, health functions and education functions, is below 10 or smaller than 10. So it can be concluded that there is no multicollinearity problem in the regression model, meaning that the model used in this study is free of multicollinearity.

### 4.3 Heteroscedasticity Test

The *White Heteroskedasticity* test develops a method that does not require assumptions about the normality of the residuals. If the Chi Squares count (n. $R^2$) value is greater than the Chi Squares table ($\chi^2$) value with a = 5% confidence degree, then there is heteroscedasticity and vice versa if the Chi Squares count (n. $R^2$) is smaller than the Chi Squares table ($\chi^2$) value critically indicates the absence of heteroscedasticity (Agus Widarjono, 2018). The data processing is as follows:

**Table 4.** Heteroscedasticity Test

| Heteroskedasticity Test: White | | |
|---|---|---|
| F-statistic | 2.232252 Prob. F(8,2) | 0.4779 |
| Obs*R-squared | 9.469721 Prob. Chi-Square(8) | 0.3042 |
| Scaled explained SS | 2.442785 Prob. Chi-Square(8) | 0.9643 |

*Source*: *Eviews 10 output (data processed in 2024)*

Based on table 4.6, if seen from the chi-square value ($n.R^2$) of 9.469721, it is obtained from Obs * R-squared information, namely the number of observations multiplied by the coefficient of determination. While the value of the chi-square table ($X^2$) at a = 5% with a df of 6 is 12.59158, because the calculated chi-square value ($n.R^2$) 9.469721 < chi-square table ($X^2$) of 12.59158, then there are no symptoms of heteroscedasticity in multiple regression models.

### 4.4 Autocorrelation Test

If the calculated Chi Squares ($\chi 2$) is greater than the critical value of Chi Squares ($\chi 2$) at confidence degree *a* = 5%, then the hypothesis ($H_0$) is rejected. This indicates an autocorrelation problem in the model. Conversely, if the Chi Squares ($\chi 2$) count is smaller than the Chi Squares ($\chi 2$) at the degree of confidence *a* = 5%, the hypothesis ($H_0$) is accepted, meaning that the model does not contain elements of autocorrelation (Agus Widarjono, 2018). The data processing is as follows:

**Table 5.** Breusch- Godfrey Serial Correlation LM Test Autocorrelation Test:

| | | | |
|---|---|---|---|
| F-statistic | 2.993571Prob | . F(2,4) | 0.1604 |
| Obs*R-squared | 5.994850Prob | . Chi-Square(2) | 0.0499 |

*Source*: *Eviews 10 output (data processed in 2024)*

Based on the results of the autocorrelation test in table 4.7, the information obtained on the magnitude of the calculated Chi- square value is 5.994850, while the critical Chi-square value at the degree of confidence *a* = 5% with a df of 3 has a value of 7.81472. From these results, with the calculated Chi-square value of 5.994850 < than the critical Chi-Square value o f 7.81472, these results indicate that there is no autocorrelation problem in the model, meaning that this study is free from autocorrelation.

### 4.5 Multiple Linear Regression Model Estimation Results

Multiple linear regression analysis in this study to determine the effect of Government Expenditure, Human Capital, on Economic Growth. The multiple linear regression equation can be written as follows:

**PE = ß0 + ß1BP + ß2IPM e**

The results of multiple linear regression analysis in this study are shown in table 6 below:

**Table 6**. Multiple Linear Regression Test Results

| Variables | Coefficient | Std. Eror | t-Statistic | probability |
|---|---|---|---|---|
| BP | -0.314170 | 0.247969 | -1.266971 | 0.2521 |
| MM | 0.112243 | 0.077122 | 1.455390 | 0.1958 |
| C | -2.867813 | 5.048482 | -0.568055 | |
| *R-squared* | 0.919459 | | | |
| *Adjusted R-Squared* | 0.879188 | | | |
| *F-statistic* | 22.83207 | | | |
| Prob(F-statistic*)* | 0.001108 | | | |

*Source: Eviews 10 output (data processed 2024)*

**PE = -2.867813 - 0.314170 + 0.112243 + e**

Based on the results of multiple linear regression analysis in the table above, the coefficient for the government expenditure variable X1 is -0.314170, the human capital variable X2 is 0.112243, and the constant is -2.867813. From the regression test results above, the T-test and F-test results are obtained with a t-table of 2.36462 and an f-table of 4.757.

### 4.6 The Effect of Government Expenditure on the Trend of Economic Growth in Indonesia

The regression results of the government spending variable on economic growth trends show negative results. The regression coefficient shows that the government spending variable has a negative sign on economic growth of -0.314170. This indicates that if government spending increases by 1%, economic growth will decrease by -0.314170. Thus the first hypothesis is rejected, which means that government spending is able to influence the trend of economic growth with the explanation that the higher the government spending, the lower economic growth will be in Indonesia.

Based on these results, it is in line with Rostow and Musgrave's theory that links the development of government expenditure with the stages of economic development in the early, middle and advanced stages, where what is included in the early stage of development is the percentage of government investment such as education, health, and transportation infrastructure. Furthermore, in the advanced stage of development there is a shift in government activity from the provision of economic infrastructure to spending on social services such as old age welfare programmes, education, public health, and infrastructure (Sadono Sukirno, 2006).

This is in line with research by Long & Pasaribu (2019) which states that government spending has a negative effect on inclusive economic growth. Basically, a high government budget does not necessarily increase inclusive economic growth. Many countries with high levels of government spending have low levels of inclusive economic growth. Conversely, there are also some countries with high government budgets that can increase inclusive economic growth. And this shows the correlation of high government budgets is not necessarily matched by inclusive economic growth, because usually a high budget but not evenly distributed is also not appropriate, so there will be no inclusive economic growth.

### 4.7 The Effect of Human Capital on the Trend of Economic Growth in Indonesia

The regression results of the human capital variable *(Human Capital)* on economic growth show positive results. The regression coefficient shows that the human capital variable has an insignificant positive sign on inclusive economic growth of 0.112243. with a significant level of 0.1958. This shows that if human capital increases by 1%, economic growth will increase by 0.112243. Thus the second hypothesis which states $H_o$ is accepted $H_a$ is rejected, it can be interpreted that human capital is able to influence economic growth with the explanation that the higher the human capital, it will cause economic growth to increase in Indonesia.

Based on the results of this study, it shows that there is an influence between variables, a positive relationship between human capital as measured by the human development index in Indonesia and inclusive economic growth, this is because the level of human development index in Indonesia for ten years has continued to increase. An increase in the HDI indicates that the quality of human resources is getting better. The human development index is a very important factor, especially in education and health. This is in accordance with the previously mentioned theories, including the *human capital* theory that education and health are the dominant factors to produce a high-producing society (Jhingan, M. L, 2018).

This is in line with Ghina Nabila Ali's research (2023) Human capital described by health and education has a positive influence on economic growth. Furthermore, according to research by P. Eko Prasetyo & Nurjanah Kistanti (2020) shows that the very strong role of human resources as the main key in driving economic growth both directly and indirectly. However, in contrast to the research of Rakhmat Haryono, Heri Lanadimulya & Muhammad Hafidz Farhan (2021), the human capital variable in both the neoclassical approach and the *new growth* approach has a significant effect.

### 4.8 The Effect of Government Expenditure, and Human Capital Together on the Trend of Economic Growth in Indonesia

Based on the regression results obtained F-statistic 22.83207 with a probability of 0.001108 smaller than 0.05, this indicates that the variables of government spending, and human capital, together or simultaneously there is a positive and significant effect on economic growth in Indonesia in 2014-2023. Thus the fourth hypothesis which states $H_o$ is rejected $H_a$ is accepted, government spending, and human capital, together have a positive and significant effect on economic growth.

Meanwhile, based on the results of the determinant coefficient test ($R^2$ ) the Adjusted R- squared value is 0.879188 or 87.9188% with the coefficient of determination indicating that the independent variables consisting of government spending, human capital, and fiscal policy are able to explain the inclusive economic growth variable in Indonesia by 87.91% while the remaining 12.09% is explained by other variables not discussed in this study. The role of the government in Indonesia is quite important, namely by allocating the budget effectively, one of which is by government spending so that the economic development programme that has been arranged can be achieved so that eco-development in Indonesia is carried out optimally and creates public welfare. Likewise, government spending in the health and education sectors in Indonesia is significantly effective in reducing the level of inequality. Government spending in the health and education sectors will have implications for incluisf economic growth if prioritised for the poor.

This is in line with the research of Abdul Rahim, Marisa Sutanty and Putri Anggita (2021), Nurul Septiani (2019) and Ghina Nabila Ali (2023) the results of simultaneous research, namely government spending on education and health and human capital together have a positive and significant effect on economic growth.

## 5 Conclusion

Based on the results of the analysis that has been described, conclusions can be drawn related to the research objectives, as follows: Government spending has a negative and insignificant effect on Inclusive Economic Growth in Indonesia in 2014-2023. This means that the more government spending increases in Indonesia, the more inclusive economic growth in Indonesia decreases. This result is not in accordance with the hypothesis and theory used in this study, when government spending increases it will be in line with the decline in inclusive economic growth.

Human Capital as measured by the Human Development Index has a positive and insignificant effect on Inclusive Economic Growth in Indonesia in 2014-2023. This means that the more the Human Development Index increases, the more inclusive economic growth in Indonesia will increase. This result is in accordance with the hypothesis and theoretical basis used in the study, when human capital increases, it will be in line with the increase in inclusive economic growth.

The F test simultaneously explains that the independent variables in this study, namely government spending, human capital, have a significant positive effect on the dependent variable, namely the trend of economic growth

in Indonesia. If there is a change in the variables of government spending, human capital, and fiscal policy, together they will also change economic growth in Indonesia. These results are in accordance with the hypothesis and theoretical basis used in this study.

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