

Does More Spending On Education Matter To Human Capital Formation? Study Case of Bengkulu Province, Indonesia

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Abstract

According to Statistics Indonesia (BPS), Indonesia will be confronted with demographic bonus era in 2020-2035. It means that the number of productive age population is expected to be higher than elderly people and children. This phenomenon offers opportunity since the burden of the country will be eased. However, the situation could be catastrophic if the government is not ready to prepare the productive population with skill development programs. Through national budget, the government has set its allocation on education by 20 percent. Nevertheless, Human Development Index (HDI) of Indonesia is still ranked at 113 position out of 188 countries and categorized as medium level in 2015. Hence, this study attempts to seek whether more spending on education matters to human capital formation by focusing on Bengkulu Province since it is well-known as the city of education in Indonesia. Using panel data analysis of ten regions in Bengkulu Province during 2010-2014, we statistically found that spending on education does not have any impact on human development. Meanwhile, women empowerment and infrastructure seem to have positive effect on human capital. Our results imply that more spending on education does not matter if it is not supported by better quality of infrastructure since better infrastructure leads to better access into education facilities.

Keywords: *education, human capital, HDI, health, infrastructure*