

THE EFFECT OF EDUCATION FUND EXPENDITURE ON ECONOMIC GROWTH IN BANDAR LAMPUNG CITY

by

Hendri Yogi Kumbara

ABSTRACT

This research aims to analyze the effect of government's expenditure of education and growth rate of HDI (Human Development Index) on economic growth in Bandar Lampung city.

The research will help to see the effects of both variables on economic growth. Government investment in education and HDI will lead to improved quality of human capital and physical infrastructure, which it will increase the productivity of labor. Increased labor productivity will further dampen growth.

Data used in this research is time series data (time series), namely in 2000-2009, while the analytical model used is the Error Correction Mechanism (ECM) and processed with the program Eviews 4.1.

The results showed for the period 2000-2009, education expenditure has positive influence on economic growth in Bandar Lampung, while the HDI negatively affect on economic growth in Bandar Lampung.

Keywords: economic growth, education spending, and the human development index.