

ABSTRACT

This research aims to determine the growth of government expenditure in health sector, government expenditure in educational sector, Foreign and Domestic Investment of the growth of Human Development Index (HDI) in Indonesia from 1985 to 2014. The analysis tool used is the vector error correction model (VECM). The results from this study show that the variable of government expenditure in health sector has positive and significant effect on the HDI, government expenditure in educational sector has significant and negative effect on the HDI, foreign investment is a significant and negative effect and domestic investment has positive significant effect on the HDI.

Keywords: The Growth of HDI, Government Expenditure in Health Sector, Government Expenditure in Education Sector , Foreign Investment, Domestic Investment and VECM.