

# Human Capital and Business Growth in Indonesia

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## Abstract

This study investigates 84 companies in Bandung and Jakarta (Indonesia) related to business growth, human capital investment including education investment, health investment and work equipment using secondary data collection methods from related companies and in-depth interviews with 84 employees who are very familiar with the company's business operations then quantified using the autoregression moving average method. We found that investment in education and investment in health had a significant positive relationship with business growth. However, investment in work equipment is negatively related. This shows that the higher human capital in the company is related to the efficiency of investment in work equipment.

**Keywords :** Human Capital, Indonesia, Business Growth

## Background

Company development requires both human and non-human factors. Where human resources are a key factor in company development. Company development, of course, requires careful preparation and thorough investigation in terms of preparing the development of technology, human resources equipment and financial resources. Organizational structural capital must also be strong to ensure there are no irregularities in the flow of funds and the health of the company's cash flow (Singla, 2020). Human capital is the key capital in the development of a company where the human resources that are owned must also be ready for the change to progress and develop (Pease et al, 2014).

Comprehensive integration in every part of the organization in company development must be ready. Due to the company's development, there are definitely many changes from various factors that must be considered (Howson, 2020). The development of the company reflects that the company's growth needs to be prepared for human resource development through investment in human capital through training, education and work equipment as well as health (Ehnert et al, 2013). This study tries to investigate the relationship between business growth as reflected in company income, education investment, health investment and work equipment investment in 84 companies in Jakarta and Bandung.

## Literature Review

In business cycle theory, the company will grow, develop and end. However, to extend the life of the company it is necessary to carry out continuous innovation and development to sustain the business (MacKay et al, 2020). In business development and change management in terms of profitable

innovation in the long term, careful preparation is needed. It is necessary to develop and train human resources to ensure that the human resources that are owned and available have sufficient human capital in managing innovation and developing technology so that the company can survive and be able to develop the company so that the company can continue to grow (Baporikar,2021).

Companies that do not grow and develop will be threatened with extinction and will close down. So there are only two choices left to develop and grow or die or end (Nautiyal et al,2016). Increasingly fierce business competition demands business changes and increased company competitiveness. In increasing competitiveness and growing, one of the keys is increasing human capital through human capital investment. Increasing human capital means increasing the quality of human resources owned. Increasing human resources owned can provide increased business competitiveness. Increased competitiveness can be increased through training, education, health services and improvements to equipment and technology (Zondervan et al,2020).

**Research Method**

This study tries to determine the relationship between business growth as reflected in company income, education investment, health investment and work equipment investment in 84 companies in Jakarta and Bandung by collecting secondary data from internal companies and in-depth interviews with 84 employees online after the data. collected were grouped and average was then processed quantitatively using the moving average autoregression method with the following equation:

$$Y_t = C_t + \beta_1 HI_{t1} + \beta_2 EI_{t2} + \beta_3 T_{t3} + e_t$$

Where,

Y = Business Growth

C = Constant

HI = Health Investment

EI = Educational Investment

T = Equipment Investment

e = Error Term

**Result and Discussion**

The estimation results are as follows:

$$Y = -6669066.99737 + 167.376465051*HI + 1385.08941439*EI - 4122.64231657*T$$

From the estimation results, health investment (HI) and education investment (EI) are positively related to economic growth. However, investment in equipment (T) has a negative relationship. This indicates that the higher the human capital the need for equipment decreases with a steady performance. Table 1 illustrates the estimation results as follows:

**Table 1.** Estimation Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-6.67E+06	2.40E+06	-2.776141	1.35E-02

HI	1.67E+02	76.14797	2.198042	4.30E-02
EI	1.39E+03	52489.91	0.026388	9.79E-01
T	-4.12E+03	157470.9	-0.02618	0.9794
R-squared	0.819737	Mean dependent var		1016281
Adjusted R-squared	0.785938	S.D. dependent var		364962.9
S.E. of regression	168856.7	Akaike info criterion		27.08834
Sum squared resid	4.56E+11	Schwarz criterion		27.28749
Log likelihood	-266.8834	Hannan-Quinn criter.		27.12722
F-statistic	24.25315	Durbin-Watson stat		1.481825

Based on the estimation results described in Table 1., it can be seen that the R-square is very high so that changes in health investment and education investment have a significant positive impact on business growth. The estimation results show that business growth must be accompanied by investment in human capital, especially education and health.

**Conclusion**

Business growth is very important to maintain a company and human capital is absolutely necessary for a company to grow and develop. Human capital investment must be sustainable to maintain sustainable business growth.

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