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# **Analysis of Human Capital Quality Indicators on the Welfare of Nine ASEAN Countries during 2008-2015 periods**

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## **Abstract**

This study aims to provide an overview the effect of the human capital quality measured through education, health, honest behavior, and security againts the welfare in nine ASEAN countries on the period of 2008 - 2015. This study used secondary data in the form of per capita gross domestic product at constant prices, means years of schooling, life expectancy, corruption perception index and global peace index in nine ASEAN countries on 2008-2015. Data analysis used in this study is panel data regression analysis with the approach of Fixed Effect Model. The results showed that the variables of education, health, and honest behavior had a positive effect on the variable level of welfare in nine ASEAN countries in the period 2008 - 2015. Whereas for the security variable shows the results had no significant effect on the variable level of welfare in nine ASEAN countries in the period of 2008 - 2015.

**Keywords:** *Welfare, Education, Health, Honest Behavior, Security, Panel Data*

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## **1. Introductions**

Economic development is a multidimensional process involving major changes in social structure, attitudes of society, national institutions and accelerating economic growth, reducing inequality, and eliminating absolute poverty (Todaro and Smith, 2006). Economic development essentially has several objectives, one of which is to improve better welfare for the community which includes increasing and equitable distribution of consumption of basic needs, increasing income levels and life improvement, increasing education equity, expanding economies of scale and availability of social choices for each individual (Todaro and Smith, 2006).

In order to implement economic development, capital is needed to achieve successful economic development. Referring to the World Bank (in Abbas, 2010) capital is divided into physical capital, human capital, and natural capital. Sustainable economic development can occur if improvement of physical capital and human capital increased without exploit natural capital. Today, human capital is no longer considered as a residual factor that has no direct relationship to economic development and welfare level. Human capital is now seen as a major growth engine that has a role in driving and encouraging economic growth and development.

Since the end of 2015, the member countries of the Association of Southeast Asian Nation (ASEAN) have become more integrated with the establishment of AEC (ASEAN Economic Community). AEC is an integrated economic region in Southeast Asia and a realization of the ASEAN Vision 2025, and also the ultimate goal of economic integration in the Southeast Asia region that can create a single market to increase the flow of trade in goods and services, investment, and skilled labor. In the end, it is intend to improve the welfare of ASEAN member countries, achieve stability and strengthen the economy in facing the global competition (Suroso, 2015).

The more integrated ASEAN economy today requires the acquisition of specific knowledge, skills and expertise by the workforce. Without an increase in skills and proficiency, then efforts to increase the productivity will be impossible to achieve, and this will hamper economic development. Therefore, the needs of human capital development and its accumulation is needed as a prerequisite for strong economic development to ASEAN member countries.

Human capital improvement in order to increase the level of country welfare can be formed from several variables, one of the most important variable is through education. Good education would increase the ability of a country to absorb modern technology, conduct innovation, mastery

of science and technology, and also would increase capacity and productivity in order to create an economic development improvement, in the end it will ultimately create prosperity for the community (Muljarjadi, 2011). The role of education is very important for human capital improvement and for increasing the level of country welfare, as expressed by Ozturk (2001) that no country can achieve sustainable development if it does not make sustainable investments in education, because education would improve life quality, and would create broad social welfare to individuals and society.

Besides education factor, health also has an important role in shaping human capital and increasing the level of welfare. According to Tjiptoherijanto (in Kurniasih, 2009), proper and guaranteed health would be able to increase productivity and improve the people living standards of the country, which in turn will increase the level of welfare in the country. The World Health Organization (in Kurniasih, 2009) states that the influence of health roles on the welfare can be viewed from the micro level, and the macro level. At the micro level, that is on the individual and family level, health is the basis for work productivity and the capacity to get a good education. This is because a healthy workforce physically and mentally will be more productive and earn a high income. In addition, good health will generate better learning abilities and educational opportunities compared to unhealthy individuals. At the macro level, people with good levels of health are important inputs in order to reduce poverty, increase welfare levels and prerequisites for long-term economic development. Economic growth can occur if supported by important breakthroughs in the health sector, such as improving nutrition or increasing life expectancy.

High quality education and health is a prerequisite for economic development and for welfare improvement, but in achieving it, many country are faced with several problems. One of the most critical problems is corruption. Corruption has become an obstacle to development, and a barrier to improving people's welfare, also has become a serious problem in various countries around the world, including in the ASEAN region. Corruption affects the economy can be seen through two major theories that are often debated, namely corruption as a development (grease the wheels hypothesis) or corruption as a barrier to the development (sand the wheels hypothesis). The general view tends to be more agreeable that corruption is an obstacle to the development because corruption disrupts economic activity by inhibiting the efficient allocation of resources in the economy. This opinion is in line with the World Bank statement (in Nawatmi, 2013) which estimates that more than US \$ 10 billion or about 5% of world GDP is lost every year due to

corruption. However, corruption also has a positive effect on the economy through several ways such as making the bureaucratic process shorter and can shorten the list of waiting times so that the permit process is faster (Guriev, 2003; Nawatmi, 2013)

Regardless of the positive and negative effects of corruption against the economy, it must be realized that corruption are not good things to do because acts of corruption take the rights of many people only to benefit themselves. Therefore, we need an corruption antidote to prevent society from conduct acts of corruption and prevent corruption from growing and developing in a country. American Institute of Certified Public Accountant (AICPA) (in Arens et al. 2012: 366) has developed guidelines to prevent and detect corruption, which is one of them with a culture of honesty. Honesty culture means honesty is accepted and practiced as a habit. Habit is a behavior that is done repeatedly, and therefore in achieving a culture of honesty must start from honest behavior. Honest behavior is the product of good and quality education, which in turn will form human capital that is moral and has positive values.

Economic development and the welfare improvement, besides being influenced by education, health, and community behavior, are also influenced by several factors, one of which is the investment security, consumer confidence, and other aspects of the collective awareness of the community which are the factors that can influence economic growth. If a country encounter a conflict, investors will not invest, the bank will not provide loans, and the producer cannot maximize its production, and the level of community welfare will decrease. Therefore, a good level of security will maintain the stability of the economy and improve the welfare of the community by avoiding the community from developing conflicts and protecting the public from the threat of danger (Karimi, 2015).

State security also plays an important role in the formation of human capital. The level of security that is maintained will create peace and avoid conflict. A country that is protected from conflict will create high quality human resources, because of the guaranteed security would gain access to increasing human capital, and vice versa. If a country has a bad level of security and has a conflict, then its citizens will be filled with fear and difficult to develop their human capital (Justino, 2011). Welfare can divert people's concern from complaints that cause conflict, otherwise conflict can make a country unable to guarantee prosperity because it is preoccupied with resolving conflicts (Portland Trust, 2007). A good and stable security will avoid a conflict to occur and maintain peace in the country.

Education, health, honesty behavior, and security that is fulfilled, can create high quality human capital. Therefore, improving the quality of human capital must be a vital agenda for all countries. According to the World Bank (in Abbas, 2010) the advancement of human capital can increase productivity affecting the country's economic growth. Moreover, quality and prosperous human capital is the cause and purpose of developing a country.

Although human capital becomes an important determinant for economic development and welfare level, human capital can also be a gap between developing and developed countries. In general, almost all developing countries have low human capital. This can occur because most developing countries did not have the standard skills and productivity needed by modern industry. Moreover, people in developing country have fewer highly educated people, and lower standards of living compared to developed countries. Especially when compared to the quality standards of education and health in developed countries, developing countries will lag far behind even though the country is still in one region. Of course these problems will make developing countries difficult to advance, and remain trapped in their status as a developing country for a long time. Looking at these problems, developing countries must make human capital the main focus of the country's development to achieve a better level of community welfare.

## **2. Data and Methods**

This research was conducted in the ASEAN region which included nine of the ten Southeast Asian countries, that are Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam. Whereas Brunei Darussalam encounter limitations and incompleteness of data, so Brunei Darussalam could not be included in this study. The timeframe that would be used as a reference are from 2008 to 2015.

Variables in this study consist of dependent variables (bound) and independent variables (free). The dependent variable in this study is welfare and the independent variables in this study consist of education, health, honest behavior, and security. The data used in this study is secondary data, which includes GDP per capita, means year of schooling, life expectancy, corruption perception index, and global peace index.

Data analysis techniques that used in this study is panel data analysis methods. This method combines data across time (time series) and across regions (cross section). The cross section data in this study are nine (9) countries in the ASEAN region. While the time series data used are 2008-

2015 period. So there are 9 cross-sectional units and 8 time periods which overall have 72 observations.

The econometric models used in this study are as follows:

$$W_{it} = \beta_0 + \beta_1 PENDING_{it} + \beta_2 KES_{it} + \beta_3 JJR_{it} + \beta_4 KEA_{it} + \varepsilon$$

where, W represents the level of welfare in area i (i = nine ASEAN countries) in period t (t = 2008 - 2015); PENDING represents the means years of schooling; KES represents life expectancy; JJR represents a corruption perception index; KEA represents the global peace index; and  $\beta$  represents the parameters to be estimated.

### 3. Result and Discussion

In this study, the obtained data has been processed using Eviews 9 software on a panel using three approaches, that is: Pooled Least Squared Approach (Common Effect), Fixed Effect (Covariance Model), and Random Effect (Error Component Model). The selection of panel data analysis method used in this study can be determined through chow test, and hausman test. Both of these testing tools are the best way to determine which model is best for use in panel data regression analysis.

Table 1. Chow Test Results (Redundant Fixed Test)

Effects Test	Statistic	d.f.	Prob.
Cross-section F	573.374172	(8,59)	0.0000
Cross-section Chi-square	314.368059	8	0.0000

Source: Author computation

Based on the results of the Chow Test shown in table 1 above shows the F value of statistics is 573,374172 with df (8.59), using F table with  $\alpha = 5\%$  and the probability value of 0.0000 shows that the probability value is smaller than the alpha value ( $0,0000 < 0.05$ ). This states that the results of the Chow Test reject the hypothesis to use Pooled Least Squared and accept the hypothesis to accept the Fixed Effect Model. The Hausman Test is then performed to determine the Fixed Effect Model or Random Effect Model method used in the panel data regression analysis.

Table 2. Hausman Test Results

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	12.720769	4	0.0127

Source: Author computation

Based on the results of the Hausman Test shown in table 2 above, the Chi-Sq statistic value is 12,720769 with Chis-Sq. d.f (4). At the significance level  $\alpha = 5\%$  and the probability value of 0.0127, shows that the probability value is smaller than alpha ( $0.0127 < 0.05$ ). This states that the Hausman Test rejects the hypothesis to use Random Effect Model and accept the hypothesis to use Fixed Effect Model. Thus, the best panel data regression technique that will be used in this study is Fixed Effect Model.

After going through several tests for empirical models selection, this study will use the Fixed Effect Model. Table 3 below explains the results of the Fixed Effect Model statistical tests processed through software Eviews 9.

Table 3. Fixed Effect Model Statistical Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-16.31128	4.298809	-3.794372	0.0004
PEND?	0.696654	0.200734	3.470527	0.0010
KES?	5.359253	1.084981	4.939491	0.0000
JJR?	0.084162	0.016312	5.159549	0.0000
KEA?	-0.064998	0.071463	-0.909537	0.3668

  

Effects Specification				
R-squared	0.999141	Mean dependent var		8.053272
Adjusted R-squared	0.998966	S.D. dependent var		1.229881
S.E. of regression	0.039553	Akaike info criterion		-3.460392
Sum squared resid	0.092300	Schwarz criterion		-3.049327
Log likelihood	137.5741	Hannan-Quinn criter.		-3.296745
F-statistic	5715.851	Durbin-Watson stat		1.832916
Prob(F-statistic)	0.000000			

Source: Author computation

From the results of the Fixed Effect Model statistical test, obtained the results of the equation are as follows:

$$W = -16,31128 + 0.696654 \text{ PEND} + 5.359253 \text{ KES} + 0.084162 \text{ JJR} - 6.256297 \text{ KEA} + \varepsilon$$

Based on the equation that obtained from the panel data estimation test above, it can be identified the relationship and influence between the education, health, honest behavior and security against the dependent variable, that is welfare on nine ASEAN countries in 2008-2015.

### t-Partial Test

Tabel 4. Fixed Effect Model Cross Section Weights t-Partial Test Results

Independent Variables	t-statistic	Prob.	Explanation
PEND	3.470527	0.0010	Significant
KES	4.939491	0.0000	Significant
JJR	5.159549	0.0000	Significant
KEA	-0.909537	0.3668	Not Significant

Source: Author computation

Based on table 4 above, it can be seen that:

1. Education (PEND) have t-statistic value of 3.470527 and a probability of 0.0010. At a significance level of  $\alpha = 5\%$ , education variables have a probability value smaller than the alpha value ( $0.0010 < 0.05$ ), this shows that the education variable represented by the means years of schooling have a significant relationship to the welfare in nine countries ASEAN on 2008-2015.
2. Health (KES) have t-statistic value of 4.939491 and a probability of 0.0000. At a significance level of  $\alpha = 5\%$ , health variables have a probability value smaller than the alpha value ( $0.0000 < 0.05$ ), this shows that the health variable represented by Life Expectancy have a significant relationship to the Welfare in nine ASEAN countries on 2008-2015.

3. The Honest Behavior (JJR) have t-statistic value of 5.159549 and a probability of 0.0000. At the significance level  $\alpha = 5\%$ , honest behavior variables have a probability value smaller than the alpha value ( $0.0000 < 0.05$ ), this shows that the honest behavior variable represented by the Corruption Perception Index have a significant relationship to the Welfare in nine countries ASEAN on 2008-2015.
4. Security (KEA) have t-statistic value of -0.909537 and a probability of 0.3668. At the significance level  $\alpha = 5\%$ , the education variable has a probability value greater than the alpha value ( $0.3668 > 0.05$ ), this shows that the security variable represented by the Global Peace Index has an insignificant relationship to the Welfare Level in nine ASEAN countries on 2008-2015.

### **F- simultaneous test**

F- simultaneous test is used to examine robustness the influence of education, health, honesty behavior, and security simultaneously against the welfare.

Following are the results of the F- simultaneous test:

$$F_{\text{statistic}} = 5715.851$$

$$\text{Prob}(F_{\text{statistic}}) = 0.000000$$

The F- simultaneous test show that at the significance level  $\alpha = 5\%$ , the probability of F-Statistic is smaller than the alpha value ( $0.000 < 0.05$ ). This shows that the variables of Education, Health, Honest Behavior and Security simultaneously have a significant effect to the Welfare at a 5% significance level.

### **Coefficient of Determination Test ( $R^2$ )**

The R-squared value in the Fixed Effect Model is 0.999141. This shows that the variables of education, health, honest behavior and security have the ability to influence the Welfare variable by 99.91%, while the other 0.9% is influenced by other variables outside the model

### **The Effect of Education on Welfare Levels**

In this study, it is known that education variables have a positive and significant influence on the level of welfare. Education variable coefficient value (PEND) is 0.696654 which means that if education increases by 1 percent, the level of welfare will increase by 0.696654%. Thus the results of these tests are in accordance with the role of education that can increase the ability of a

country to absorb modern technology, innovate, and can increase the capacity and productivity of a country's people, so that income per capita and living standards of the community would increase, which in turn increases the level of community welfare. The test results are in line with the research conducted by Lutz et al (2008) which states that education has a positive and significant impact on the level of welfare of a country.

### **The Effect of Health on Welfare Levels**

In this study it is known that health variables have a positive and significant influence on the level of welfare. Health variable coefficient value (KES) is 5.359253 which means that if health increases by 1 percent then the level of welfare will increase by 5,359253%. Thus the results of these tests are in accordance with the role of health that can increase productivity and improve the standard of living of people in a country, which in turn will increase the level of welfare in the country. The results of this test are in line with research conducted by Strittmatter and Sunde (2013), which states that have a positive and significant impact on the level of welfare of a country.

### **The Effect of Honest Behavior on Welfare Levels**

In this study it is known that the variables of honest behavior have a positive and significant influence on the level of welfare. The coefficient value of the honest behavior variable (JJR) is 0.084162 which means that if health increases by 1 percent, the level of welfare will increase by 0.084162%. Thus the results of these tests are in accordance with the role of honest behavior which is one of the behaviors that shape the quality of human capital that can prevent the public from committing acts of corruption, so that community welfare is not only taken by some grafters. The results of this test are also in line with the research conducted by Widiastuti (2013), which states that corruption can reduce the welfare of people in several countries, and it requires the cultivation of honest behavior to overcome them.

### **The Effect of Security on Welfare Levels**

In this study it is known that the security variable has no significant effect on economic growth variables. Security should have a role to maintain economic stability and increase the level of community welfare by avoiding society from occurring conflicts and protecting the public from the threat of danger. But security can also produce negative peace (negative peace). According to Galtung (in Grewal, 2003), negative peace is a condition where there is no war or violence, but peace is not produced from the community itself, but only the government maintains peace, so that the community has a passive role or is forced to maintain peace, so peace and security have no

impact at all on the level of community welfare. The results of this test are in line with the research conducted by Dunne (2012) which states that national security has an insignificant influence on the level of welfare in the long run.

#### **4. Conclusion**

This study highlighted the contribution of human capital measured in terms of education, health, honest behavior, and security in influencing the level of welfare of nine ASEAN countries in the period 2008 to 2015. The results of this study indicate that education, health, and honest behavior have a positive and significant impact on the level of welfare of the nine ASEAN countries in the period 2008-2015. This shows that the level of education, level of health, and honest behavior are important factors in influencing the level of welfare of the nine ASEAN countries in the period 2008-2015.

Education has an important role in improving welfare, because education can improve the ability of the state to absorb modern technology, innovate, mastery of science and technology, and also can increase the capacity and productivity of the country. While health can increase productivity and improve community living standards in a country, which will ultimately increase the level of welfare in the country. Furthermore, honest behavior is needed to counteract acts of corruption that can harm the welfare of the community.

On the other hand, state security that measured through the Global Peace Index has an insignificant influence on the level of welfare of the nine ASEAN countries in the period 2008-2015. This can be caused by the fact that the community has not played an active role in the creation of security, so that peace is created not from the will of the community itself, resulting in negative peace.

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8

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30

### Abstract

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Human capital improvement in order to increase the level of country welfare can be formed from several variables, one of the most important variable is through education. Good education would increase the ability of a country to absorb modern technology, conduct innovation, mastery

of science and technology, and also would increase capacity and productivity in order to create an economic development improvement, in the end it will ultimately create prosperity for the community (Muljarjadi, 2011). The role of education is very important for human capital improvement and for increasing the level of country welfare, as expressed by Ozturk (2001) that no country can achieve sustainable development if it does not make sustainable investments in education, because education would improve life quality, and would create broad social welfare to individuals and society.

Besides education factor, health also has an important role in shaping human capital and increasing the level of welfare. According to Tjptoherijanto (in Kurniasih, 2009), proper and guaranteed health would be able to increase productivity and improve the people living standards of the country, which in turn will increase the level of welfare in the country. The World Health Organization (in Kurniasih, 2009) states that the influence of health roles on the welfare can be viewed from the micro level, and the macro level. At the micro level, that is on the individual and family level, health is the basis for work productivity and the capacity to get a good education. This is because a healthy workforce physically and mentally will be more productive and earn a high income. In addition, good health will generate better learning abilities and educational opportunities compared to unhealthy individuals. At the macro level, people with good levels of health are important inputs in order to reduce poverty, increase welfare levels and prerequisites for long-term economic development. Economic growth can occur if supported by important breakthroughs in the health sector, such as improving nutrition or increasing life expectancy.

High quality education and health is a prerequisite for economic development and for welfare improvement, but in achieving it, many country are faced with several problems. One of the most critical problems is corruption. Corruption has become an obstacle to development, and a barrier to improving people's welfare, also has become a serious problem in various countries around the world, including in the ASEAN region. Corruption affects the economy can be seen through two major theories that are often debated, namely corruption as a development (grease the wheels hypothesis) or corruption as a barrier to the development (sand the wheels hypothesis). The general view tends to be more agreeable that corruption is an obstacle to the development because corruption disrupts economic activity by inhibiting the efficient allocation of resources in the economy. This opinion is in line with the World Bank statement (in Nawatmi, 2013) which estimates that more than US \$ 10 billion or about 5% of world GDP is lost every year due to

corruption. However, corruption also has a positive effect on the economy through several ways such as making the bureaucratic process shorter and can shorten the list of waiting times so that the permit process is faster (Guriev, 2003; Nawatmi, 2013)

Regardless of the positive and negative effects of corruption against the economy, it must be realized that corruption are not good things to do because acts of corruption take the rights of many people only to benefit themselves. Therefore, we need an corruption antidote to prevent society from conduct acts of corruption and prevent corruption from growing and developing in a country. American Institute of Certified Public Accountant (AICPA) (in Arens et al. 2012: 366) has developed guidelines to prevent and detect corruption, which is one of them with a culture of honesty. Honesty culture means honesty is accepted and practiced as a habit. Habit is a behavior that is done repeatedly, and therefore in achieving a culture of honesty must start from honest behavior. Honest behavior is the product of good and quality education, which in turn will form human capital that is moral and has positive values.

Economic development and the welfare improvement, besides being influenced by education, health, and community behavior, are also influenced by several factors, one of which is the investment security, consumer confidence, and other aspects of the collective awareness of the community which are the factors that can influence economic growth. If a country encounter a conflict, investors will not invest, the bank will not provide loans, and the producer cannot maximize its production, and the level of community welfare will decrease. Therefore, a good level of security will maintain the stability of the economy and improve the welfare of the community by avoiding the community from developing conflicts and protecting the public from the threat of danger (Karimi, 2015).

State security also plays an important role in the formation of human capital. The level of security that is maintained will create peace and avoid conflict. A country that is protected from conflict will create high quality human resources, because of the guaranteed security would gain access to increasing human capital, and vice versa. If a country has a bad level of security and has a conflict, then its citizens will be filled with fear and difficult to develop their human capital (Justino, 2011). Welfare can divert people's concern from complaints that cause conflict, otherwise conflict can make a country unable to guarantee prosperity because it is preoccupied with resolving conflicts (Portland Trust, 2007). A good and stable security will avoid a conflict to occur and maintain peace in the country.

Education, health, honesty behavior, and security that is fulfilled, can create high quality human capital. Therefore, improving the quality of human capital must be a vital agenda for all countries. According to the World Bank (in Abbas, 2010) the advancement of human capital can increase productivity affecting the country's economic growth. Moreover, quality and prosperous human capital is the cause and purpose of developing a country.

Although human capital becomes an important determinant for economic development and welfare level, human capital can also be a gap between developing and developed countries. In general, almost all developing countries have low human capital. This can occur because most developing countries did not have the standard skills and productivity needed by modern industry. Moreover, people in developing country have fewer highly educated people, and lower standards of living compared to developed countries. Especially when compared to the quality standards of education and health in developed countries, developing countries will lag far behind even though the country is still in one region. Of course these problems will make developing countries difficult to advance, and remain trapped in their status as a developing country for a long time. Looking at these problems, developing countries must make human capital the main focus of the country's development to achieve a better level of community welfare.

## **2. Data and Methods**

<sup>19</sup> This research was conducted in the ASEAN region which included nine of the ten Southeast Asian countries, that are Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam. Whereas Brunei Darussalam encounter limitations and incompleteness of data, so Brunei Darussalam could not be included in this study. The timeframe that would be used as a reference are from 2008 to 2015.

Variables in this study consist of dependent variables (bound) and independent variables (free). The dependent variable in this study is welfare and the independent variables in this study consist of education, health, honest behavior, and security. The data used in this study is secondary data, which includes GDP per capita, means year of schooling, life expectancy, corruption perception index, and global peace index.

Data analysis techniques that used in this study is panel data analysis methods. This method combines data across time (time series) and across regions (cross section). The cross section data in this study are nine (9) countries in the ASEAN region. While the time series data used are 2008-

2015 period. So there are 9 cross-sectional units and 8 time periods which overall have 72 observations.

The econometric models used in this study are as follows:

$$W_{it} = \beta_0 + \beta_1 PENDING_{it} + \beta_2 KES_{it} + \beta_3 JJR_{it} + \beta_4 KEA_{it} + \varepsilon$$

where, W represents the level of welfare in area i (i = nine ASEAN countries) in period t (t = 2008 - 2015); PEND represents the means years of schooling; KES represents life expectancy; JJR represents a corruption perception index; KEA represents the global peace index; and  $\beta$  represents the parameters to be estimated.

### 3. Result and Discussion

In this study, the obtained data has been processed using Eviews 9 software on a panel using three approaches, that is: Pooled Least Squared Approach (Common Effect), Fixed Effect (Covariance Model), and Random Effect (Error Component Model). The selection of panel data analysis method used in this study can be determined through chow test, and hausman test. Both of these testing tools are the best way to determine which model is best for use in panel data regression analysis.

Table 1. Chow Test Results (Redundant Fixed Test)

Effects Test	Statistic	d.f.	Prob.
Cross-section F	573.374172	(8,59)	0.0000
Cross-section Chi-square	314.368059	8	0.0000

Source: Author computation

Based on the results of the Chow Test shown in table 1 above shows the F value of statistics is 573.374172 with df (8.59), using F table with  $\alpha = 5\%$  and the probability value of 0.0000 shows that the probability value is smaller than the alpha value ( $0,0000 < 0.05$ ). This states that the results of the Chow Test reject the hypothesis to use Pooled Least Squared and accept the hypothesis to accept the Fixed Effect Model. The Hausman Test is then performed to determine the Fixed Effect Model or Random Effect Model method used in the panel data regression analysis.

13  
Table 2. Hausman Test Results

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	12.720769	4	0.0127

Source: Author computation

Based on the results of the Hausman Test shown in table 2 above, the Chi-Sq statistic value is 12,720769 with Chis-Sq. d.f (4). At the significance level  $\alpha = 5\%$  and the probability value of 0.0127, shows that the probability value is smaller than alpha ( $0.0127 < 0.05$ ). This states that the Hausman Test rejects the hypothesis to use Random Effect Model and accept the hypothesis to use Fixed Effect Model. Thus, the best panel data regression technique that will be used in this study is Fixed Effect Model.

After going through several tests for empirical models selection, this study will use the Fixed Effect Model. Table 3 below explains the results of the Fixed Effect Model statistical tests processed through software Eviews 9.

14  
Table 3. Fixed Effect Model Statistical Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-16.31128	4.298809	-3.794372	0.0004
PEND?	0.696654	0.200734	3.470527	0.0010
KES?	5.359253	1.084981	4.939491	0.0000
JJR?	0.084162	0.016312	5.159549	0.0000
KEA?	-0.064998	0.071463	-0.909537	0.3668

  

Effects Specification				
R-squared	0.999141	Mean dependent var		8.053272
Adjusted R-squared	0.998966	S.D. dependent var		1.229881
S.E. of regression	0.039553	Akaike info criterion		-3.460392
Sum squared resid	0.092300	Schwarz criterion		-3.049327
Log likelihood	137.5741	Hannan-Quinn criter.		-3.296745
F-statistic	5715.851	Durbin-Watson stat		1.832916
Prob(F-statistic)	0.000000			

Source: Author computation

From the results of the Fixed Effect Model statistical test, obtained the results of the equation are as follows:

$$W = -16,31128 + 0.696654 \text{ PEND} + 5.359253 \text{ KES} + 0.084162 \text{ JJR} - 6.256297 \text{ KEA} + \varepsilon$$

Based on the equation that obtained from the panel data estimation test above, it can be identified the relationship and influence between the education, health, honest behavior and security against the dependent variable, that is welfare on nine ASEAN countries in 2008-2015.

**t-Partial Test**

Tabel 4. Fixed Effect Model Cross Section Weights t-Partial Test Results

Independent Variables	t-statistic	Prob.	Explanation
PEND	3.470527	0.0010	Significant
KES	4.939491	0.0000	Significant
JJR	5.159549	0.0000	Significant
KEA	-0.909537	0.3668	Not Significant

Source: Author computation

Based on table 4 above, it can be seen that:

1. Education (PEND) have t-statistic value of 3.470527 and a probability of 0.0010. At a significance level of  $\alpha = 5\%$ , education variables have a probability value smaller than the alpha value ( $0.0010 < 0.05$ ), this shows that the education variable represented by the means years of schooling have a significant relationship to the welfare in nine countries ASEAN on 2008-2015.
2. Health (KES) have t-statistic value of 4.939491 and a probability of 0.0000. At a significance level of  $\alpha = 5\%$ , health variables have a probability value smaller than the alpha value ( $0.0000 < 0.05$ ), this shows that the health variable represented by Life Expectancy have a significant relationship to the Welfare in nine ASEAN countries on 2008-2015.

3. The Honest Behavior (JJR) have t-statistic value of 5.159549 and a probability of 0.0000. At the significance level  $\alpha = 5\%$ , honest behavior variables have a probability value smaller than the alpha value ( $0.0000 < 0.05$ ), this shows that the honest behavior variable represented by the Corruption Perception Index have a significant relationship to the Welfare in nine countries ASEAN on 2008-2015.
4. Security (KEA) have t-statistic value of -0.909537 and a probability of 0.3668. At the significance level  $\alpha = 5\%$ , the education variable has a probability value greater than the alpha value ( $0.3668 > 0.05$ ), this shows that the security variable represented by the Global Peace Index has an insignificant relationship to the Welfare Level in nine ASEAN countries on 2008-2015.

#### **F- simultaneous test**

F- simultaneous test is used to examine robustness the influence of education, health, honesty behavior, and security simultaneously against the welfare.

Following are the results of the F- simultaneous test:

$$F_{\text{statistic}} = 5715.851$$

$$\text{Prob}(F_{\text{statistic}}) = 0.000000$$

The F- simultaneous test show that at the significance level  $\alpha = 5\%$ , the probability of F-Statistic is smaller than the alpha value ( $0.000 < 0.05$ ). This shows that the variables of Education, Health, Honest Behavior and Security simultaneously have a significant effect to the Welfare at a 5% significance level.

#### **Coefficient of Determination Test ( $R^2$ )**

The R-squared value in the Fixed Effect Model is 0.999141. This shows that the variables of education, health, honest behavior and security have the ability to influence the Welfare variable by 99.91%, while the other 0.9% is influenced by other variables outside the model

#### **The Effect of Education on Welfare Levels**

In this study, it is known that education variables have a positive and significant influence on the level of welfare. Education variable coefficient value (PEND) is 0.696654 which means that if education increases by 1 percent, the level of welfare will increase by 0.696654%. Thus the results of these tests are in accordance with the role of education that can increase the ability of a

country to absorb modern technology, innovate, and can increase the capacity and productivity of a country's people, so that income per capita and living standards of the community would increase, which in turn increases the level of community welfare. The test results are in line with the research conducted by Lutz et al (2008) which states that education has a positive and significant impact on the level of welfare of a country.

#### **The Effect of Health on Welfare Levels**

In this study it is known that health variables have a positive and significant influence on the level of welfare. Health variable coefficient value (KES) is 5.359253 which means that if health increases by 1 percent then the level of welfare will increase by 5,359253%. Thus the results of these tests are in accordance with the role of health that can increase productivity and improve the standard of living of people in a country, which in turn will increase the level of welfare in the country. The results of this test are in line with research conducted by Strittmatter and Sunde (2013), which states that have a positive and significant impact on the level of welfare of a country.

#### **The Effect of Honest Behavior on Welfare Levels**

In this study it is known that the variables of honest behavior have a positive and significant influence on the level of welfare. The coefficient value of the honest behavior variable (JJR) is 0.084162 which means that if health increases by 1 percent, the level of welfare will increase by 0.084162%. Thus the results of these tests are in accordance with the role of honest behavior which is one of the behaviors that shape the quality of human capital that can prevent the public from committing acts of corruption, so that community welfare is not only taken by some grafters. The results of this test are also in line with the research conducted by Widiastuti (2013), which states that corruption can reduce the welfare of people in several countries, and it requires the cultivation of honest behavior to overcome them.

#### **The Effect of Security on Welfare Levels**

In this study it is known that the security variable has no significant effect on economic growth variables. Security should have a role to maintain economic stability and increase the level of community welfare by avoiding society from occurring conflicts and protecting the public from the threat of danger. But security can also produce negative peace (negative peace). According to Galtung (in Grewal, 2003), negative peace is a condition where there is no war or violence, but peace is not produced from the community itself, but only the government maintains peace, so that the community has a passive role or is forced to maintain peace, so peace and security have no

impact at all on the level of community welfare. The results of this test are in line with the research conducted by Dunne (2012) which states that national security has an insignificant influence on the level of welfare in the long run.

#### 4. Conclusion

This study highlighted the contribution of human capital measured in terms of education, health, honest behavior, and security in influencing the level of welfare of nine ASEAN countries in the period 2008 to 2015. The results of this study indicate that education, health, and honest behavior have a positive and significant impact on the level of welfare of the nine ASEAN countries in the period 2008-2015. This shows that the level of education, level of health, and honest behavior are important factors in influencing the level of welfare of the nine ASEAN countries in the period 2008-2015.

Education has an important role in improving welfare, because education can improve the ability of the state to absorb modern technology, innovate, mastery of science and technology, and also can increase the capacity and productivity of the country. While health can increase productivity and improve community living standards in a country, which will ultimately increase the level of welfare in the country. Furthermore, honest behavior is needed to counteract acts of corruption that can harm the welfare of the community.

On the other hand, state security that measured through the Global Peace Index has an insignificant influence on the level of welfare of the nine ASEAN countries in the period 2008-2015. This can be caused by the fact that the community has not played an active role in the creation of security, so that peace is created not from the will of the community itself, resulting in negative peace.

16

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