



Contents lists available at [Journal IICET](#)
JPPi (Jurnal Penelitian Pendidikan Indonesia)
ISSN: 2502-8103 (Print) ISSN: 2477-8524 (Electronic)
Journal homepage: <https://jurnal.iicet.org/index.php/jppi>



The influence of social capital, human capital, and natural capital on economic growth and community welfare

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Article Info

Article history:

Received Mar 03rd, 2023

Revised Nov 21st, 2023

Accepted Jul 15th, 2024

Keyword:

Social capital,
Human capital,
Natural capital,
Economical

ABSTRACT

This study aims to determine the effect of social capital, human capital, and natural capital on economic growth and community welfare. The research method used is quantitative method. Data collection techniques are done by means of literature study and documentation. The results state that social capital has a significant effect on economic development and community welfare. Then the results of this study can provide answers regarding the phenomenon of the level of community welfare in West Nusa Tenggara Province which is currently still below the national average. Based on the research results, it is undeniable that to improve the welfare of the people in West Nusa Tenggara, a social capital-based economic growth management policy is needed. This should be done because economic growth is a good intervention variable for social capital. In addition, it is also necessary to pay attention to local governments so that regional financial management is based on the economic growth needed for the welfare of the people in West Nusa Tenggara.



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Introduction

The influence of social capital, human capital and natural capital on economic growth and community welfare has become a major concern in discussions on socio-economic development. The involvement and contribution of each of these capitals in influencing the dynamics of the economy as well as the welfare of society is an important aspect that requires in-depth understanding. In this paper, we will explore the impact of these three factors on economic growth and how it implicates the well-being of the society as a whole. Introduction Human capital is one of the development potentials that comes from the human element. The level of health, level of education completed, skills possessed, number, and gender are human capital. The use of human resources in its implementation and role must be viewed from both economic and non-economic aspects because humans are the main actors in the development process ((Sudarsana, 2015); (Riniwati, 2016)).

Based on this description, it can be said that human capital in development has a very important meaning because, in addition to having the potential to be mobilized to accelerate development, high human capital will be easier to empower in its relevance as actors and drivers of development. According to ((Tamboto & Manongko, 2019); (Binti, 2017)) state that economic development studies the causes and ways of overcoming mass poverty. Furthermore, ((Hermansyah & Ali, 2023); (Todaro & Smith, 2006)) states that development economics refers to various economic development problems in underdeveloped countries. Meanwhile, (Kharisma, 2014) states that development economics uses the principles of other economics, both in their

original form and after being modified, but not in large part. Development economics is a field of study that is developing its theoretical structure and methodology so fast

Furthermore, in addition to social capital, human capital, and financial capital, other capital is no less important in improving people's welfare, namely natural capital. Natural capital is one of the development resources that can be used to meet needs and improve people's lives. Favorable geographical location, fertile agricultural land, wide area, marine resources, sunshine, mining, not prone to flooding, not prone to earthquakes, flora and fauna are natural assets (Suparmoko, 2018). Based on the description above, it can be said that, in an area that has abundant natural capital and is well managed, its development will be carried out more quickly. Apart from that, in regions that have abundant natural resources, the people will also have sources of income from their natural wealth so that they can increase regional economic growth as a process towards improving people's welfare. Regions with low natural capital will tend to depend on central government assistance and even foreign assistance. Meanwhile, the condition of West Nusa Tenggara's natural capital can be seen in Table 1.

Table 1. West Nusa Tenggara Province Natural Resources Potential in 2020

Rice harvested area	359.714 Ha	1.750.675 Ton
Palawija harvest area	200.790 Ha	363.453 Ton
Harvest area of coconut plantations	67.716,43 Ha	51.048,85 Ton
Cow population	546.114 Ekor	10.820 Ekor
The sustainable potential of marine fish resources	98.979,8 Ton	98.979,8 Ton
Forestry potential	1.068.098,78 Ha	24.027,66 m ³
Gold (Au)	*427.039 Ton	-
Silver (Ag)	*452.935 Ton	-
Copper	*5.377.730 Ton	-

Source: BPS West Nusa Tenggara (2020: 290-345)

Table 1 shows some of the potential natural resources owned by the province of West Nusa Tenggara. These natural resources have export value in their productivity. Based on these data, it can be said that, from the aspect of natural resources, West Nusa Tenggara has a high enough potential and if it is managed optimally, it will be able to spur economic development which is part of the process of improving people's welfare. Taking into account the empirical data of West Nusa Tenggara, especially those related to social capital, it is in a balanced condition between its availability and affordability when compared to the population and area of the area. Meanwhile, human capital shows a high rate of labor force absorption, reaching 93.52% with a ratio of productive age reaching 64.57%. Furthermore, when viewed from financial capital, in addition to the cumulative balancing fund for the district amounting to Rp. 4,248,165,946,254, it also has cumulative PAD funds to the district of Rp.221,898,886,271 and other legal income funds of Rp. 275,717. 127,138. Meanwhile, West Nusa Tenggara's natural capital is a fertile land with a rice harvest area of 359,714 hectares with a production of 1,750,675 tons per year. Furthermore, from the livestock aspect, West Nusa Tenggara, which consists of two islands, namely the islands of Lombok and Sumbawa, is also a suitable area for livestock, especially cattle and goats. West Nusa Tenggara mineral resources are potential resources for exploitation because they consist of gold, silver, and copper which have export value.

Research conducted by (Cahyono & Adhiatma, 2023) states that the values of trust in social capital are very dominant as a basis for rural communities to be used as capital in improving other functions, such as increasing respect and mutual benefits. Problems in optimizing social capital involve natural problems, human resource problems, and management problems. Meanwhile, to optimize the role of social capital in rural areas, there needs to be support from various parties, along with the demands of rural communities related to the importance of mentoring programs to improve the competence of rural communities by improving farming skills, and increasing agricultural diversification. In addition, there is also a need for transformational leadership support to increase the optimization of the role of social capital. Furthermore, research conducted by (Iqbal, 2021) states that the variables of education level, health and labor force have a positive and significant effect on economic growth. This means that the higher the increase in the level of education, the level of health and the labor force, the higher the increase in economic growth and vice versa. Based on this, it is recommended to continue to encourage various efforts to increase the average length of schooling, life expectancy and labor force participation rate to encourage economic growth in South Sulawesi.

Based on the condition of social capital, natural capital, financial capital, and natural capital of West Nusa Tenggara, West Nusa Tenggara should have high economic growth and social welfare. Meanwhile, the rate of economic growth and the level of welfare of the people of West Nusa Tenggara is below the national average,

even the human development index is in the 32nd rank out of 33 provinces in Indonesia. This phenomenon provides information on the importance of conducting studies on the effects of social capital, human capital, financial capital, and natural capital on economic growth and community welfare in West Nusa Tenggara Province.

Method

This study uses quantitative method research. According to (Sugiyono, 2019), research with quantitative methods is a research method based on the philosophy of positivism, quantitative methods are used in research with a determined population or sample, data is collected using research instruments, quantitative or statistical data analysis is carried out, aimed at testing predetermined conjectures. Research in economics generally has many influencing variables, so it requires a good and appropriate research design. Malhotra in (Agung & Yuesti, 2019) states that in compiling a research design, the things needed are: (a) research information; (b) type of research used; (c) measurement procedures; (d) number of respondents in the study; (e) data collection tools; (f) data analysis plan used. The data collection technique was carried out by means of literature study and documentation.

Results and Discussions

Results Evaluate the inner model through the algorithm setting procedure and blindfolding setting. The algorithm setting procedure is a step in PLS to obtain the excluded and included R-square values, while through the blindfolding setting the values obtained from Q-square excluded and Q-square included can be obtained. Furthermore, the results of data processing through the algorithm setting process and blindfolding setting can be seen in Table 2 below.

Table 2. The Values of R-square were Excluded, R-square Included, Q-square Excluded and Q-square Included

Konstruk	R- Square excluded	R -Square included	1-SSE/SSO excluded (Q ²)	1-SSE/SSO included (Q ²)
X1			0,067927	0,312452
X2			0,412443	0,741084
X3			-0,164075	0,005402
Y1	0,492967	0,380202	0,104673	0,170472
Y2	0,607677	0,620805	0,136384	0,239084

Source: Results of data processing

Evaluation of the structural model using the PLS method was carried out for the R2 value of endogenous latent variables provided that the R2 value was 0.67, 0.33, and 0.19 which indicated that the model was "good", "moderate", and "weak". Furthermore, Ghazali also explained that the value of f2 (effect size) provided that the f2 value is 0.02, 0.15, and 0.35, indicating that the latent variable has a weak, medium, or large influence. Meanwhile, the value of q2, provided that the value of q2 is 0.02, 0.15, and 0.35, it can indicate that the model has "weak", "medium" or "large" predictive relevance. Furthermore, this relationship can be seen in Table 3.

Table 3. Evaluate The Model by Entering the Values R2, f2, Q2, and q2

Results	Criteria *)	Critical values **)	Evaluation results of the model
R ²	0,62081	0,19	Good
f ²	0,03462	0,02	Low
Q ²	0,23909	< 0	Has predictive relevance
q ²	0,13500	0,02	Predictive medium relevance

Source: Data processing results

The relationship between constructs can be determined through the bootstrapping setting process. Furthermore, the bootstrapping setting process presents the value of the path coefficient between constructs and the correlation coefficient between the constructs and the indicator (Ghozali, 2018). The bootstrapping setting presents the results of data processing in the form of a path coefficient table and a path diagram equipped with the value of t-count between constructs as shown in Figure 2. A detailed discussion of each relationship between variables based on the proposed hypothesis will be constructed so that this discussion will lead to strengthening the existing theoretical building structure or constructing a new theory based on the effect that occurs between the detected research variables.

The Influence of Social Capital on Community Welfare in West Nusa Tenggara Province.

The influence of social capital on community welfare in West Nusa Tenggara province is significant. Social capital influences indicators consisting of public shopping facilities (X1.4) and financial institutions (X1.5). Meanwhile, the public welfare variable affects the indicators consisting of the net participation rate (NER) of basic education (Y2.1); the ratio of deliveries assisted by medical personnel (Y2.4); PDRB per capita based on current prices (Y2.6). This research is in line with research conducted by (Cahyono & Adhiatma, 2023) which states that the values of trust in social capital are very dominant as a basis for rural communities to be used as capital in improving other functions, such as increasing respect and mutual benefit. The influence of social capital on social welfare through economic growth is significant. This relationship will be explained based on the research conceptual framework adapted from Thomas's conceptual framework and Solow's growth theory with the aggregate function $Y = F(K, L)$. Furthermore, the explanation will also use the Solow growth function curve and the Solow-Abramovic growth formula.

The Influence of Social Capital on Economic Growth Based on the Solow Growth Function Curve in West Nusa Tenggara Province.

Social capital (X1) has an influence of 38.9% on economic growth (Y1) Table 5.28. Also, social capital correlates with the human capital of 0.26311, based on this correlation, the increase in population will affect the number of public shopping facilities and financial institutions so that the correlation becomes $X1 = 0.26311X2$. Furthermore, the correlation between social capital and human capital can be used to explain the effect of social capital on economic growth, as in Figure 1.

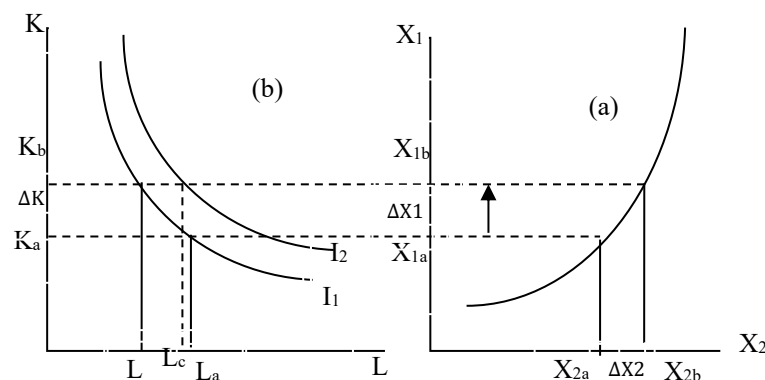


Figure 1. The correlation between social capital and human capital is based on research data

Figure 1 is a correlation curve between social capital and human capital as a result of the study, Figure 6.1 (b) is a curve of capital and labor relations based on the Solow growth theory. Based on the correlation in Figures 6.1a and 6.1b, it can be explained that an increase in the social capital of $\Delta X1 = X1b - X1a$ is correlated with an increase in the human capital of $\Delta X2 = X2b - X2a$ and affects an increase in capital by $\Delta K = Kb - Ka$ and reduced labor demand by $\Delta L = Lb - La$ based on curve I1. Based on the Solow growth theory, under these conditions, the production function will switch to a capital-intensive production function to become labor-intensive, because population growth will lead to labor growth resulting in a reduction in the relative wages of labor (Arief, 1998).

Furthermore, this correlation shows that the values of $\Delta K > 0$ and $\Delta L < 0$. Based on the correlation between changes in capital accumulation and labor demand, it can be seen that the growth direction coefficient shifts from the bottom right to the top left and gives a value of $\Delta K / \Delta L < 0$ or $dF/dx < 0$ and the value of $(d^2 F / (dX^2)) > 0$ (positive growth). Also, based on this relationship, it can be seen that if the accumulation of social capital is constant at $X1b$ which results in constant capital accumulation in Kb , the production function will use the input combination $F(Kb, Lc)$, namely curve I2 because the labor supply increases and results in the relative wage of labor. decreased. Based on the Cobb-Dougllass exponential formula, namely $Y_t = [AK]_t \cdot L_t^\beta$ which is the basis for the Solow growth theory, it explains that if capital accumulation is constant, the production function will only offset the amount of labor through the combination of the use of inputs to provide additional output is constant, this process is called constant returns to scale by Solow.

Furthermore, through this relationship, it can logically be seen that social capital affects economic growth. Meanwhile, (Arief, 1998) states that the marginal productivity of each production factor decreases when there is a situation of constant returns to scale which is expressed mathematically if $dF/dx > 0$ and $(d^2 F / (dX^2)) < 0$. Besides, Arsyad (2004: 62) states that in Solow's growth theory, output growth is highly dependent on production factors consisting of population, labor, and capital accumulation. Based on this description, it is known that social capital affects economic growth. Meanwhile, economic growth has a significant effect on

people's welfare, thus based on this relationship, social capital affects the welfare of the people of West Nusa Tenggara province through economic growth.

The Influence of Human Capital (Human Capital) on Community Welfare in West Nusa Tenggara Province

Human capital (X_2) has an effect of 19.7% on economic growth (Y_1) and is not significant. Also, human capital correlates with the financial capital of 0.551883, human capital has a correlation of 0.424282 with economic growth and economic growth has a correlation of 0.507538 with people's welfare. Based on the correlation between human capital and financial capital of 0.551883 and according to the source of financial capital revenue, namely PAD, DAU, DAK, and other legal income, the increase in population will affect the receipt of financial capital, so the correlation equation is $X_3 = 0.551883X_2$. Figure 6.2 can be used to explain that an increase in the human capital of $\Delta X_2 = X_{2b} - X_{2a}$ is correlated with an increase in the financial capital of $\Delta X_3 = X_{3b} - X_{3a}$ and has an effect on an increase in capital by $\Delta K = K_b - K_a$ and a reduction in the need for labor by $\Delta L = L_b - L_a$ on curve I1. Also, this correlation shows that the values of $\Delta K > 0$ and $\Delta L < 0$. Based on the correlation between changes in capital accumulation and labor demand, it can be seen that the growth direction coefficient shifts from the bottom right to the upper left and gives a value of $\Delta K / \Delta L < 0$ or $dF/dx < 0$, and the value of $(d^2 F / (dX^2)) > 0$ (positive growth).

Based on the Solow growth theory, if population growth is greater than capital growth on curve I1, and if, for example, capital accumulation decreases to KC, then growth can still be maintained by using a combination of the production function to become $F(KC, L_d)$. Furthermore, according to Solow's theory, in such a situation there will be a combination of the use of the production function input from the capital to labor-intensive because the relative wages of labor will decrease. In addition, according to this combination, the value of $\Delta K / \Delta L < 0$ or $dF/dx < 0$ and $(d^2 F / (dX^2)) > 0$ (positive growth) in other words, the increase in population does not affect the rate of economic growth.

Taking into account the results of research data processing and the Solow growth theory isoquant curve on the correlation of capital and labor, an increase in human capital does not affect economic growth, meanwhile, the population growth rate of West Nusa Tenggara based on BPS Nusa Tenggara Barat (2009: 19-65) is 1, 66% and the GRDP growth rate was 2.63%. Based on this description, it can be seen that human capital does not affect economic growth, thus human capital has no significant effect on people's welfare through economic growth. Furthermore, BPS West Nusa Tenggara (2017: 1-7) regarding the Analysis of the Workforce Profile of West Nusa Tenggara, concludes that: (a) 4 out of 100 workforces in West Nusa Tenggara are classified as job seekers; (b) 61.24% of the workforce is absorbed by the agricultural sector; (c) 71.15% of workers in West Nusa Tenggara province are elementary school-educated or below; (d) 42.37% of the population of West Nusa Tenggara are classified as underemployed; (e) the average wage of workers in West Nusa Tenggara is Rp. 637,890 for male workers and Rp. 331,220 and women.

The Influence of Human Capital (Human Capital) on Community Welfare in West Nusa Tenggara Province

Human capital has a positive correlation (0.399454) with the variable of social welfare Table (5.17). Furthermore, the results of this study are also consistent with the results of a study conducted by Thomas (2000) who found that an increase in literacy was positively correlated (0.15) with a decrease in infant mortality. (Siregar, 2018) concluded that the level of basic education is a variable that has a relatively large influence on poverty reduction. Meanwhile, research conducted by (Sitepu, RK dan Sinaga, 2018) concluded that: (a) an increase in investment in human resources directly impacts an increase in Real Gross Production, as indicated by an increase in capital stock, trade balance, and household consumption; (b) investment in human resources for education can reduce poverty incidence, poverty gap, and poverty severity except for upper-class non-agricultural households in the village, not the urban labor force and not upper-class agriculture in cities. Furthermore (Soetomo, 2018) states that the utilization of human resources in the community development process involves two things, namely: (a) quality improvement and development; (b) exploitation through various opportunities, activities, and businesses to meet the needs and increase the standard of living of the community.

The Influence of Natural Capital on Community Welfare in West Nusa Tenggara Province.

Based on the analysis of the NTB farming profile, West Nusa Tenggara BPS (2009: 11) states that, of 212,607 farming households in West Nusa Tenggara, 113,681 households are rice farming households with an average control of less than 0 agricultural lands. 5 hectares. Meanwhile, the results of the national livestock survey of West Nusa Tenggara province, West Nusa Tenggara BPS (2017: 21) explained that the total population of cattle in West Nusa Tenggara reached 566,985 with a total of 123,343 cattle households, with average ownership of 4.6 heads, with agricultural and livestock systems that are still traditional.

In line with this description, BPS West Nusa Tenggara (2017: 2-4) explained that the agricultural sector in West Nusa Tenggara is the sector that absorbs the most labor and reaches 61.24%. Furthermore, the basic labor problem in West Nusa Tenggara is the relatively low level of education of workers, namely 71.15% of elementary

school education and below. Based on these conditions, it can be said that the management of the agricultural sector in West Nusa Tenggara is still traditional and labor-intensive. Based on this relationship, it can be said that the management of farms and livestock in West Nusa Tenggara has not been effective so that this condition causes natural capital to harm people's welfare, because increasing natural capital production will reduce labor productivity.

In line with these conditions, Yudhoyono (in Susanto, 2005: 12) argues that the agricultural sector currently absorbs a lot of labor and exceeds the capacity (reaching 46%) of the total workforce, so that a net increase in labor in the agricultural sector will further reduce labor productivity in the agricultural sector. Based on the results of data processing, natural capital has a negative correlation (-0.23578) with the variable of community welfare. Furthermore, the results of this study are also consistent with the results of research conducted by Thomas (2000) who found that an increase in forest area is negatively correlated (-0.20) with a decrease in income inequality. (Siregar, 2018) found that output growth of only 2.5% in the agricultural sector became the basis of livelihood for 44% of Indonesia's workforce, resulting in slower improvement in farmer welfare compared to the welfare of workers outside the agricultural sector. Furthermore, research conducted by (Soetomo, 2018) suggests that when compared to the intraregional impacts of the two leading sectors in West Nusa Tenggara province, namely, the food, beverage, and tobacco industry sector has a bigger and stronger impact both on output growth, growth in gross value added, and job creation in the province of West Nusa Tenggara.

The Effect of Natural Capital on Economic Growth in West Nusa Tenggara Province

Natural capital has a negative correlation (-0.01105) with economic growth and economic growth has a positive correlation (0.507538) with the social welfare variable. Furthermore, (Suparmoko, 2018) states that the faster the economic growth will be the more resource goods needed in the production process which in turn will reduce the availability of natural resources in the earth because these resource goods must be taken from reserves (stock) natural resources. Furthermore, about the utilization of these natural resources, (Sumolang et al., 2019) states that natural resources together with other inputs are the driving force for economic growth. Simply put, if the use of natural resources is multiplied, then growth or output can be increased. Natural resources referred to here are all kinds of natural resources that are heterogeneous, complex, and of course, have the form of ready-to-use resources.

Furthermore, (Hasid et al., 2022) states that increasing population growth and industrial activity cannot survive without depleting natural resources and placing more burdens on nature in overcoming pollution problems. (Bahua, 2018) states that the inclusion of environmental conservation elements in planning is intended to improve the quality of development achievements and to be able to consider in advance the influence of development activities on the broader natural resources and processes of the environment. (Mahi et al., 2017) states that in the development strategy, environmental conservation elements have been included in calculating the feasibility of a development program and in development planning.

The Effect of Economic Growth on Community Welfare in West Nusa Tenggara Province.

The relationship between economic growth and community welfare in West Nusa Tenggara province is significant and positive. This research is in line with research conducted by ((Awandari & Indrajaya, 2016); (Arka & Yasa, 2015)) which states that economic growth has a positive and significant effect on community welfare. According to ((Rahmiyati, 2015); (Lubis et al., 2020)) states that the success of economic development is shown by three main values, namely: (a) the development of the community's ability to meet basic needs; (b) increased self-esteem as financial; (c) increasing people's ability to choose (freedom from servitude), which is one of the financial rights. Arsyad (2005: 6) states that economic development is: (a) a process which means changes that occur continuously; (b) efforts to increase income per capita; (c) the increase in per capita income must continue; (d) improving the institutional system, both institutional and regulatory.

Therefore, the function of social capital can open up business opportunities and absorb labor. An increase in the amount of social capital will increase the number of business opportunities followed by an increase in employment so as to improve community welfare. An increase in social capital also means an increase in economic growth, thus an increase in social capital can increase production sources for the community which in turn stimulates economic growth and increases GDP growth at constant prices. Furthermore, an increase in GDP growth at constant prices will absorb labor and improve community welfare. The effect of economic growth on community welfare follows Solow's growth theory which states that high capital accumulation can absorb a lot of labor if the relative wage of labor decreases, such a production function is called a labor-intensive production function. The higher the quality of human resources, the higher the level of community welfare. Economic growth cannot function as an intervening variable on human capital. Based on data processing from the research results, it can be seen that an increase or decrease in human capital as labor does not affect output in the production function, therefore human capital is said not to affect economic growth.

This relationship also results in human capital not affecting the welfare of the people of West Nusa Tenggara Province through economic growth. The higher the natural capital, the lower the level of community welfare in West Nusa Tenggara Province. This relationship is because the agricultural and livestock management system in West Nusa Tenggara is still running traditionally. Furthermore, BPS West Nusa Tenggara (2007:8) states that of the 212,607 farming households in West Nusa Tenggara, 113,681 households are rice farming households and 50.29% are small farmers who control less than 0.5 hectares of agricultural land. Meanwhile, the livestock sector is still managed traditionally and is a side business. Based on these conditions, an increase in the new labor force in the agricultural and livestock business sectors in West Nusa Tenggara will be able to reduce labor productivity in the agricultural and livestock sectors. This relationship explains that the economic growth variable cannot function as an intervening variable for natural capital. An increase or decrease in natural capital does not affect economic growth.

Furthermore, based on the theory of economic growth, natural capital is also called capital. Meanwhile, an increase in natural capital is caused by an increase in human capital, so that an increase in natural capital as a source of capital is accompanied by an increase in labor supply. Based on this relationship, an increase in natural capital as a source of capital will cause the production function to balance the amount of labor, so that an increase or decrease in natural capital will not affect output. The higher the economic growth, the higher the production of goods and services. Furthermore, an increase in the production of goods and services will absorb a lot of labor. Furthermore, the more labor is absorbed, the higher the level of community welfare. This relationship is in line with what ((Indayani & Hartono, 2020); (Maharani & Isnawati, 2014)) states that economic growth as measured by the development of production of goods and services or national income is indispensable because there are two very determining factors, namely an increase in population from year to year and an increase in the level of welfare. society as a result of development itself.

Conclusions

Based on the results and discussion, it can be concluded that the function of social capital can open up business opportunities and absorb labor. An increase in the amount of social capital will increase the number of business opportunities followed by an increase in employment so as to improve community welfare. An increase in social capital also means an increase in economic growth, thus an increase in social capital can increase production sources for the community which in turn stimulates economic growth and increases GDP growth at constant prices. Furthermore, an increase in GDP growth at constant prices will absorb labor and improve community welfare. The effect of economic growth on community welfare follows Solow's growth theory which states that high capital accumulation can absorb a lot of labor if the relative wage of labor decreases, such a production function is called a labor-intensive production function. The higher the quality of human resources, the higher the level of community welfare. Economic growth cannot function as an intervening variable on human resources. Based on data processing from the results of the study, it appears that an increase or decrease in human capital as labor does not affect output in the production function, therefore human capital is said not to affect economic growth. This relationship also results in human capital not affecting the welfare of the people of West Nusa Tenggara Province through economic growth. The higher the natural capital, the lower the level of community welfare in West Nusa Tenggara Province. This relationship is because the agricultural and livestock management system in West Nusa Tenggara is still running traditionally.

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