

Convergence Of Regional Autonomy In East Java

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Abstract: *Regional economic growth can be achieved with regional development. Regional development is implemented based on regional autonomy and fiscal decentralization. With decentralization opens up opportunities for underdeveloped regions to catch up with developed regions through rapid growth of per capita. Regional revenues and expenditures that include Regional Original Revenue, General Allocation Fund and Capital Expenditure can be used as instruments to increase economic growth and reduce poverty. This study was conducted with the aim to examine the effect of Regional Original Revenue, General Allocation Fund, Capital Expenditure on economic growth and poverty. This research uses quantitative research design, the model used in this study with regression. Data collection is done by using documentation technique. Population and sample in this research is 38 Regency / City in East Java Province year 2010-2016. The type of data used in this study is secondary data with panel data. The result of analysis shows that Regional Original Revenue and General Allocation Fund have negative effect to economic growth, Capital Expenditure has positive and significant effect to economic growth. Regional Original Revenue has negative effect on poverty level, General Allocation Fund and Capital Expenditure have positive effect on poverty. Economic growth negatively affects poverty.*

Keywords: *Regional Original Revenue, General Allocation Fund, Capital Expenditure, Economic Growth, Poverty, Convergence.*

Date of Submission: 12-01-2018

Date of acceptance: 29-01-2018

I. Introduction

Regional economic development is a process whereby the Local Government and its people manage the existing resources and form a partnership pattern between the Local Government and the private sector to create a new job and stimulate the development of economic activity (economic growth) within the region. In developing countries, the main concern focuses on the complex problem of growth versus income distribution. Both are equally important, but it is almost always difficult to simultaneously monitor.

With the existence of regional autonomy and fiscal decentralization can better state the development in accordance with the wishes of the region to develop the region according to the potential of each region. The imposition of regional autonomy also means the Regional Government must have a good local economic plan to provide welfare for its residents. Law No. 25/1999 on Fiscal Balance between Central and Regional Government, regions to be able to explore and develop the economic potential independently so that inequality between population, inter-regional and inter-sector can be gradually reduced. Differences in the rate of growth and regional development will have an impact on differences in welfare levels between regions, which in turn will lead to inequality.

The implementation of decentralization opens opportunities for relatively lagging regions to pursue and align themselves with developed regions through increasing per capita (Gross Regional Domestic Product) GRDP. The process of catching up is called the term convergence. Convergence will occur if poor, low-income countries or regions will grow faster than high-income countries or regions, so that in the long run it will reach the same convergence level (Adrian, 2014). So, this research wants to know about the level of inequality; an inter-regional convergence tendency; and factors affect the speed of convergence in East Java Province.

II. Teoritical Framework

Revenue earned by the area collected according to local regulations in accordance with the legislation. Local revenues as a source of local revenue need to be improved in order to bear some of the expenditure required for the implementation of governance and development activities that increase annually so that broad autonomy, real and responsible autonomy can be implemented (Darise: 2006). Regional Original Revenue can be used for local infrastructure development activities. With the development of infrastructure and infrastructure

facilities by the local government it will also impact economic growth (Enderwati, 2010). The level of economic growth is a condition where the real value of Gross Domestic Product (GDP) has increased output (Dornbusch et al., 2008). Economic growth is considered as one of the indicators of a country's prosperity according to Jhingan (2000) economic growth is a long-term increase in the ability of a country in providing more types of economic goods to its inhabitants.

Convergence is a decrease in the per capita income gap from poor countries or regions with rich countries or regions based on their rapid economic growth. Convergence is an economic process in different countries or regions that reduces income gaps, productivity, wage rates and other economic indicators. Convergence will occur if poor income-poor countries or regions receive higher general allocation funds due to low fiscal capacity, are expected to grow faster than high-income countries or regions with low allocation funds, so that in the long run it will reach same convergence.

Convergence is a positive impact of regional autonomy and fiscal decentralization that shows the independence and performance of the local economy in the pursuit of lagging revenue in the region. High-income, advanced regions can continue to explore and develop new technologies and innovations that can lead to an increasing, not declining, economy. Development of technology and innovation will be able to cause economic growth can still increase and move higher. Different natural resource, human resource, and productivity conditions will produce different results. Coupled with the intervention and different government policies of each region, the implementation of economic activities will also be different.

III. Research Methods

In this study analyze the convergence of autonomous regions in East Java by using quantitative methods. The time period of this study began in 2010-2016. The scope of this study was conducted in 38 districts / cities in East Java Province.

This research uses panel data type that is combination of 7 years time series data and cross section data for 38 districts / cities in East Java Province, thus forming the amount of data to be observed as much as 265 data (38 regencies / municipalities during the period of 7 years). Data sources are obtained through secondary data documentation. The data used in this study, namely Local Revenue, General Allocation Fund, Capital Expenditure, Economic Growth and Poverty Level District / City East Java Province. The data is obtained from publication reports of Central Bureau of Statistics and Gross Regional Domestic Product of East Java. All data is taken in the period of 2010-2016.

Quantitative research is a method to test certain theories by examining the relationship between variables (Creswell, 2014: 5). These variables are measured normally with research instruments so that the data consisting of numbers can be analyzed based on statistical procedures. Analysis method of this research using quantitative analysis with panel data. Analysis model used to see the pattern relationship of economic growth and poverty with Regional Original Revenue, General Allocation Fund, and Capital Expenditure in East Java Province.

IV. Result And Discussion

The Influence of Regional Original Revenue on Economic Growth in East Java Province 2010-2016

The result of estimation between local revenue to economic growth in East Java Province Year 2010-2016 indicates that local revenue negatively significant to economic growth. Indicates that the original incomes affect negatively on economic growth. The higher the Regional Original Revenue the lower the economic growth rate. This happens if Regional Original Revenue is not yet optimal for government managed to increase regional growth.

Local revenues are the main source of local revenue to finance local budgets, as the ability or contribution of local revenues to Gross Regional Domestic Product will be a benchmark for the region's economic growth. Should by the increase of original income of area will increase empirical economic growth, this research proves that the increase of original regional capability has not been able to increase economic growth of Regency / City in East Java Province which is proved by the happening of increase of imbalance between the increase of original income of area with economic growth.

The Effect of General Allocation Funds on Economic Growth in East Java Province 2010-2016

Based on the estimation result between general allocation fund to economic growth in East Java Province 2010-2016 shows that general allocation fund has significant negative effect to economic growth. Show that the general allocation fund negatively affects economic growth. If the General Allocation Fund increases, it will reduce economic growth. This is because the transfer of funds received by the Province of East Java is not optimally used in improving the fiscal capacity of the region so that general allocation funds have not been able to increase economic growth.

Another reason that led to the growth of General Allocation Fund to economic growth is the General Allocation Fund is used as the main funding source of the regional government to finance its main operations, so that the General Allocation Fund can reduce the fiscal gap between regions in the Regency / City in East Java Province which in turn supports economic growth. General Allocation Funds are a type of inter-government fund transfers that are not tied to specific expenditure programs. In other words, General Allocation Fund aims at equitable distribution of inter-regional financial capabilities aimed at reducing the inequality of inter-regional financial capacity through the application of a formula that takes into consideration local needs and potentials. General Allocation Fund of an area is determined by the size of the fiscal gap of the region, which is the difference between the fiscal need and the fiscal capacity.

Effect of Capital Expenditure on Economic Growth in East Java Province 2010-2016

Based on the estimation of capital expenditure on economic growth in East Java Province 2010-2016 shows that capital expenditure has a significant effect on economic growth. From the value of positive coefficient, shows that capital expenditure has positive effect on economic growth. This means that the allocation of capital expenditure is based on regional needs for facilities and infrastructure for the community that can support economic growth in East Java province. This study also indicates that the amount of capital expenditure allocated by the Province of East Java is not one of the determining factors in increasing economic growth, meaning that high capital expenditure does not have an implication on the magnitude of economic growth in a region.

The Effect of Local Original Revenue on Poverty in East Java Province 2010-2016

Based on the estimation of local income to poverty in East Java Province 2010-2016 shows that Regional Original Revenue has a significant effect on the number of poor people in East Java Province. Local revenue is negatively and significantly affects poverty. This means that the local revenue in East Java Province allocated through poverty alleviation programs, both at the central and regional levels, involves many government and private agencies. The increase in Regional Original Revenue is in line with the budget allocation to reduce the number of poor people in East Java Province.

From this research it is known that through the implementation of fiscal decentralization, local governments now have great authority to plan, formulate, and implement policies and development programs that can be adapted to local needs. One of the keys to be considered in decentralization is that local governments should be more responsive to the needs of their populations. This study is in line with research conducted by Andri Widiyanto et al (2013), entitled The Effect of Regional Income on Capital Expenditure, Economic Growth, and Poverty of Regencies / Municipalities in Special Region of Yogyakarta that local revenue is negatively affecting poverty.

The Effect of General Allocation Fund on Poverty in East Java Province 2010-2016

Based on the estimation result between general allocation fund to poverty in East Java Province 2010-2016 shows that general allocation fund has significant effect to poverty. Shows that the General Allocation Fund has a positive and significant impact on poverty. If the General Allocation Fund increases, it will increase the number of poor people in East Java Province.

This study proves that the increase of DAU received by the local government has not been able to reduce the number of poor people in East Java province because poverty eradication programs designed by the local government of East Java Province are financed by and general allocation so that, with a high general allocation fund should supporting the success of poverty alleviation programs. This research is in line with research conducted by Jolianis (2013) entitled Analysis of the Effect of Regional Original Revenue, General Allocation Fund, and Specific Fund Allocation on poverty in Districts / Cities in West Sumatera Province with Economic Growth as Intervening Variable that General Allocation Fund has a significant positive effect on poverty.

Effect of Capital Expenditure on Poverty in East Java Province 2011-2014

Based on the estimation of capital spending on poverty in East Java Province 2010-2016 shows that capital expenditure has positive and significant effect on poverty. Capital expenditures allocated for public sector development, have a goal for employment, thereby reducing open unemployment and reducing poverty. This is based on the function of the government as a provider of goods not provided by the private sector and seeks for efficient allocation of economic resources. Government as an agent of income distribution and as an agent of economic stabilization to overcome open unemployment rate, inflation, and poverty level.

In research if the capital expenditure budget increases it will increase poverty, this is because capital expenditure is not allocated for public sector development, has a goal to absorb labor so as to reduce open unemployment and reduce poverty.

The Effect of Economic Growth on Poverty in East Java Province 2010-2016

Based on the estimation of economic growth on poverty in East Java Province 2010-2016 shows that economic growth has a significant negative effect on poverty. This suggests that the trickle-down effect of economic growth in the form of increased employment opportunities or reducing unemployment and increasing wages / income of the poor. Assuming that there are mechanisms needed to facilitate the trickle-down of the benefits of economic growth to the poor, economic growth can be an effective tool for poverty reduction.

In this study economic growth has the effect to be able to reduce the level of poverty in East Java. This means that economic growth results from the economic expansion of all population groups including the poor. Whereas in East Java province there is a trickle-down effect of economic growth in the form of increased employment opportunities or reducing unemployment and increasing wages / income of the poor.

V. Conclusion

1. Regional Original Revenue variable on economic growth have a significant negative effect on economic growth in East Java Province Year 2010-2016. The higher the Regional Original Revenue, the lower the economic growth rate.
2. Variable of general allocation fund has significant negative effect to economic growth in East Java Province Year 2010-2016. If the General Allocation Fund increases, it will reduce economic growth.
3. Capital expenditure variable has significant positive effect to economic growth in East Java Province 2010-2016. The allocation of capital expenditure is based on the regional need for facilities and infrastructure for the community that can support economic growth in East Java province.
4. Local revenue variable has negative and significant effect on poverty. This means that the local revenue in East Java Province allocated through poverty alleviation programs, both at the central and regional levels, involves many government and private agencies. The increase in Regional Original Revenue is in line with the budget allocation to reduce the number of poor people in East Java Province in 2010-2016.
5. Variables of general allocation funds have a significant positive effect on poverty. If the General Allocation Fund increases, it will increase the number of poor people in East Java Province.
6. Capital expenditure variable has positive and significant effect to poverty in East Java Province 2010-2016. Capital expenditures allocated for public sector development, have a goal for employment, thereby reducing open unemployment and reducing poverty.
7. Economic growth variable has significant negative effect to poverty in East Java Province 2010-2016. Economic growth resulted from the economic expansion of all population groups including the poor. Whereas in East Java province there is a trickle-down effect of economic growth in the form of increased employment opportunities or reducing unemployment and increasing wages / income of the poor.
8. During 2010-2016 East Java has not experienced convergence. The level of disparity between districts / cities in East Java Province, the higher the high gap or indicated the unevenness of district / city revenue in East Java Province, the gini ratio figure which increases every year. This is due to the lack of optimal distribution of funds transfer to each region in accordance with the fiscal capacity of each region. In addition, the low level of regional autonomy in managing and managing the regional households, so that local governments are still dependent on the central government.

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