

PERFORMANCE OF REGIONAL FINANCIAL INDEPENDENCE ON INCOME DISPARITY AND ECONOMIC GROWTH IN EAST JAVA PROVINCE

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ARTICLE INFO

Keywords:

Income Disparity
Independence Performance
Economic Growth

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ABSTRACT

This good regional financial performance is due to the greater the income obtained from regional taxes, regional levies, the results of separated regional wealth management and other legitimate income and the smaller the central loan and assistance, the more independent the region. With the more independent the area, the economic growth in the area can increase. This is because the area is able to manage economically, efficiently, and effectively and the lack of policy intervention by the central government. aims: 1. To analyze descriptively the Effect of Independent Performance on Income Disparities in East Java Province. 2. Analyzing descriptively the Effect of Independence Performance on Economic Growth in East Java Province. 3. Simultaneously analyze the influence of independent performance on income disparities and economic growth in East Java Province. Analysis of the data in this study using the PLS (Partial Least Square) program version 3.0 M3 PLS (Partial Least Square) was first developed by wold as a general method for estimating the path model using latent constructs with multiple indicators. Independence Performance on Income Disparity in East Java Province is significant with t-statistic of 2,369 (> 1.96). Economic Growth on Income Disparity in East Java Province is not significant with a t-statistic of 0.062 (<1.96). Disparity of Income to Community Welfare in East Java Province is not significant with t-statistic of 0.836 (<1.96).

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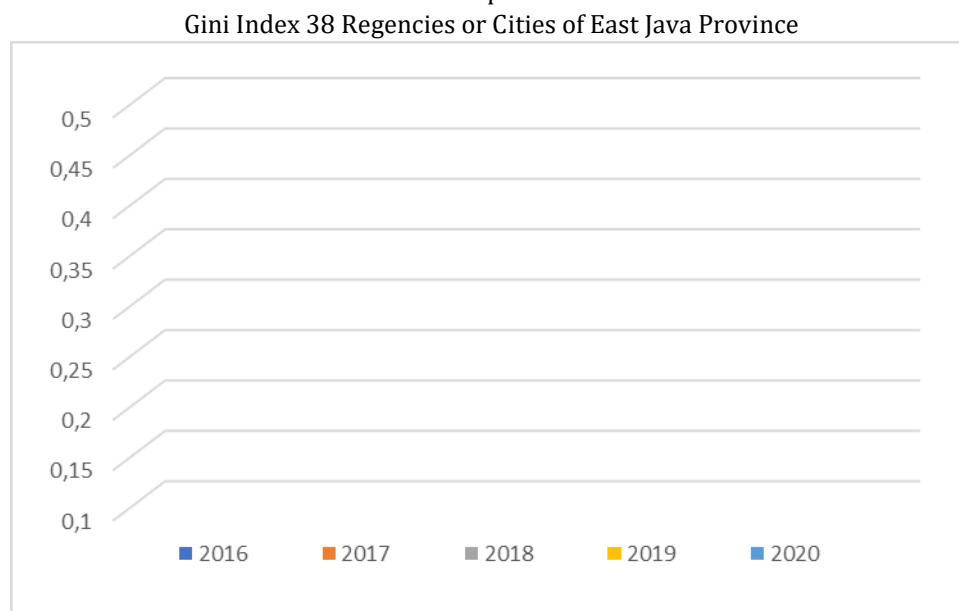
1. INTRODUCTION

Regional financial performance is one of the most important things in the context of implementing regional government that can carry out decentralization and regional autonomy with the rights and obligations of the region in the form of regional assets. Therefore, there is a need for supervision from an independent party on the performance assessment of regional financial managers. As part of the implementation of national economic development, economic development in East Java Province is reflected in the partnership pattern between the government and the private sector as well as the community in managing the potential of available resources to stimulate the development of economic development activities and facilitate economic growth in the region which aims to reduce disparities. economy in East Java. However, in reality, the potential of natural resources and human resources in 38 districts/cities in East Java has diversity and differences that result in economic disparity problems.

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However, in reality, the potential of natural resources and human resources in 38 districts/cities in East Java has diversity and differences that result in economic disparity problems. With the Gini Index in East Java Province, it can be seen from the following graph:

Graph 1



Source: BPS, 2016-2020 (Data Processed)

Based on table 1.1, it shows that the development of the level of inequality or the Gini Index in 38 regencies/cities in East Java within a period of five years tends to decrease every year in 2016-2020. For the last year of the study, in 2020 the level of inequality in the Regency/City of East Java Province decreased by 0.36 percent. Although the decline in inequality is quite small, this indicates that there have been improvement efforts from the government to reduce the level of economic disparity in East Java Province.

Basically, what affects the disparity that exists in East Java is the uneven standard of living of the people or better known as the Human Development Index (HDI). Low or high HDI will have an impact on the productivity level of the population, the lower the HDI, the productivity level of the population will also be low then low productivity will affect low income, and vice versa, the higher the HDI, the higher the productivity level of the population which then pushes the income level to be lower. the higher it is. The problem that occurs is that the HDI in each region is different, this makes the HDI one of the factors that influence income inequality between regions/regions.

2. METHOD

Research design

This approach uses a qualitative and quantitative approach. Qualitative approach is research about research that is descriptive and tends to use analysis. Process and meaning (subject perspective) are more highlighted in qualitative research. The theoretical basis is used as a guide so that the research focus is in accordance with the facts on the ground. Quantitative approach is a research approach that collects and analyzes data in the form of numbers. The quantitative approach is an objective research approach, including the collection and analysis of quantitative data and using statistical testing methods (Hermawan, 2005).

Population

The population consists of objects/subjects that have certain qualities and characteristics determined by the researcher to be studied and then draw conclusions (Sugiyono, 2014, 80), so that the population is all Regencies City in East Java Province

Sample

The sample is part of the number and characteristics possessed by the population. If the population is large, and the researcher is not able to study everything in the population, for example due to limited funds, manpower and time, the researcher will take a sample from that population. What is learned from the sample, the conclusions will be applied to the population (Sugiyono, 2014, 81). The research sample is 29 regencies and 9 cities in East Java

Research Limits

The research sample was determined by purposive random sampling, which is a method of determining the sample based on certain criteria in order to meet the requirements of a good sample. These criteria are: The sample is 29 regencies and 9 cities in East Java Province Regency and City budgets for 3 years

Research Assumptions

The assumption of this research is to collect certain information data from BPKAD, East Java Province.

3. RESULT AND DISCUSSION

To prove the hypothesis, that is by looking at the significance of the effect between variables by looking at the parameter coefficients and the significance value of the t statistic. This PLS independence performance is done by looking at the Bootstrapping Algorithm report, here are the results:

Table
Path Coefficients (Mean, STDEV, T-Values, P-Values)

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values	Hipotesis
Independent Performance -> Income Disparity	0.066	0.067	0.048	2.369	0.032	Sig
Income Disparity -> Economic Growth	-0.006	0.010	0.098	0.062	0.951	no sig
Independence Performance -> Income Disparity -> Economic Growth	-0.224	-0.223	0.107	2.094	0.037	Sig

Processed by researchers

Path Coefficient shows the level of significance and the relationship between variables. Thus giving the following results:

Independence performance has a significant effect on income disparities in East Java Province.

Independence Performance on Income Disparity in East Java Province is significant with t-statistic of 2,369 (> 1.96). The original sample estimate value is positive, which is 0.066 which indicates that the direction of the relationship between Independence Performance and Income Disparity in East Java Province is positive.

(Mukmin and Maemunah, 2019). The independence variable states that this variable has no effect on the growth of local revenue in the district/city government in East Java. The results of this study contradict the research conducted by Kusuma and Hidayat (2018) which states that independence has an effect on the growth of regional original income. The hypothesis was rejected due to the low level of financial independence in the Regency / City Government in West Java, making the value of the independence ratio small and not having an effect on increasing the growth of regional original income. According to Rahmayani (2018), a high PAD will create a level of regional financial independence. The high dependence of the Regency/City Government in West Java Province on aid funds from the Central Government proves that the Regional Government has not been able to maximize the potential income in the area. As revealed by Hamid (2018), which states that, the low local revenue obtained by the government is caused by the lack of sensitivity of the local government in finding cultural advantages and potential local revenue (PAD), compliance and awareness of taxpayers / levies that are relatively low. , weak legal system and local revenue administration, weakness of the apparatus, fears of the bureaucracy will fail in carrying out its program, not optimistic about the results that might be achieved (Miranti, 2017). In addition, according to Setiawan and Tami (2018), local revenue owned by local governments that have not been able to meet the needs for operational expenditures will have an impact on capital expenditures related to public services that cannot be fulfilled properly.

Income Disparity has a Significant Effect on Economic Growth in East Java Province.

Economic Growth on Income Disparity in East Java Province is not significant with a t-statistic of 0.062 (<1.96). The original sample estimate value is negative, which is -0.006 which indicates that the direction of the relationship between Economic Growth and Disparity in East Java Province is negative.

There is a crucial relationship between the dynamics of GRDP and the level of income disparity between regions in East Java Province. Economic growth is the driving force of the community's economy which will play a vital role in improving the quality of life in this case increasing income between regions. The relationship that occurs between GRDP and disparity in this study is significant with a high positive coefficient, this indicates that the level of GRDP is very well used as an intervening variable in the path analysis method. GRDP which has a positive impact on income disparities between regions is in accordance with the theory of Kuznets (1955) which states that developing countries will experience high economic growth accompanied by high disparities until they reach peak disparities. When it has experienced peak disparities and economic growth is able to reduce disparities, that's where the good role of economic growth is to reduce income disparities.

4. CONCLUSION

Independence states that this variable has no effect on the Growth of Regional Original Income in the Regency / City Government in East Java that independence has an effect on the Growth of Regional Original Income The relationship between GRDP and disparity in this study is significant with a high positive coefficient, this indicates that the level of GRDP is very well used as an intervening variable in the path analysis method. The low level of independence shows a pattern of development that still relies on aid funds from the Central Government, this will have an impact on slow development and have many weaknesses, as happened to the district and city governments in the province of East Java. Suggestions that can be given by researchers based on the results of this study are as follows: It is hoped that the Regional Government in each Regency and City in East Java Province should pay more attention to how to improve regional financial performance so that it can be expected to increase Regional Original Revenue (PAD) and regional balancing funds in the form of regional taxes, regional levies, DAU, DAK to allocate budget to Routine Expenditures and Development Expenditures so that the economic growth of every district and city in East Java Province can prosper.

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