The Influence of Regional Revenue towards Economic Growth, Employment and Social Welfare in Palangka Raya, Central Kalimantan Province

Elmalia Tara[1*]   Dr. Sri Kusreni[2]

1. Student of Economic Studies Doctoral Program Post Graduate Program of Economics and Bussines Airlangga University,Surabaya,Indonesia
2. A Lecture for the Post Graduate Program (S3) of the Economics Faculty of Airlangga University, Surabaya, Indonesia)
* E-mail of the corresponding author : elmaliataraelbaar@gmail.com

Abstract

Local revenue, GDP and human development index in Palangka Raya growing faster than the labor absorption, and considering the importance of the role of local revenue as a major source of revenue in the local financial budget components, the authors wanted to examine The Influence of Local Revenue Towards Economic Growth, Employment and Social Welfare in Palangka Raya, Central Kalimantan province.

These conditions encourage a study to determine and analyze in depth the effect of PAD on economic growth, employment and social welfare in Palangka Raya, Central Kalimantan province. Thus conducted a quantitative study using path analysis with SPSS software tools. Optimizing the the path analysis is used time series data for the period 2001 to 2011 in Palangka Raya, Central Kalimantan province.

Hypothesis testing results gained the facts that: (1) Local Revenue influential negative not significant towards economic growth in Palangka Raya, Central Kalimantan province (2) Regional Revenue influential not-significant with the positive direction towards employment in Palangka Raya, Central Kalimantan province; (3) Economic growth influential negative not-significant towards employment in Palangka Raya, Central Kalimantan province; (4) Economic growth infuential negative not-significant towards social welfare in Palangka Raya, Central Kalimantan province; (5) labor absorption influential positive not significant towards social welfare in Palangka Raya, Central Kalimantan province.

Keywords : Regional Revenue, Economic Growth, Employment and Social Welfare

1.Introduction

Palangka Raya population growth in 2000 to 2011 showed fluctuated growth but tended to increase. The lowest growth rate in 2005 was equal to 0.54% and the highest in the year 2010 was 9.93%. While the number of job seekers and job opportunities were available were not balanced. Annually average of the total number of registered job seekers who find jobs was 16.49% of, and the remaining 83.51% was still not getting job opportunities.

Human Development Index in Palangka Raya continued to increase from 2001 to 2011. Nationally in 2004 was fourth ranked, and in 2007 was seventh ranked . In general it can be said that the quality of life for Palangka Raya been better, but there were still many problems in the development process that must respond quickly and appropriately as the provision of infrastructure to penetrate areas that are still isolated areas, basic services in education and health, mining management, quality improvement programs of poverty alleviation, employment, ignored-land or peat use, increased sense of safety as well as other development issues.

Palangka Raya has been chosen as the object of study because local revenues, GDP and human development index in Palangka Raya was growing faster than the labor absorption, and the importance of the role of local revenues as one of the main sources of local financial revenue in the budget components , so the author wanted to examine The influence of Regional Revenue towards the Economic Growth, Labor Absorption and Social Welfare in Palangka Raya, Central Kalimantan province.

2.Literature Study

1. Economic Growth

Kuznets in Pressman (2000:77) explained that the economic growth associated with the effects of the combination of high productivity and large population. More important factor of both due to productivity growth factor according to Adam Smith, is that productivity growth resulted an increase in living standards.

Todaro (2001:92) reviewed about three factors or principal components of economic growth in every country, namely: capital accumulation, which covers all forms or types of new investments were invested in land, physical equipment, and human resources. Population growth, which will increase the total labor force.

Advances in technology, such as new or improved way of old methods in handling the job. According to classical theory, the accumulation of capital and the amount of labor had very important role in economic growth.

2. Employment

Labor Force Concept in Sri Kusreni (2006:43) define that the provisions of labor consists of labor force and not the labor force. Labor force is composed of a group of potential labor who have worked or are active in an activity that produces goods and services, and those who are ready to work and looking for work or unemployed. Group of not the labor force consists of those who are still in school, taking care of the household without wages and other groups who only received revenue by not having an economic activity, which is receiving retirement benefits, interest on savings or lease of assets owned, as well as those whose lives dependent on others due to elderly, disabled, in prison or chronic illness.

Lincolyn (1992) explained the opinion of Robert Sollow and Trevor Swan on the relationship of economic growth and employment. In which this theory has gained a Nobel economics prize in 1987. Swan argued economic growth depends on the increase of quality and quantity of production factors. This theory supports the idea of the neoclassical theory, the economy is in conditions of full employment if the factors of production are constantly evolving in harmony.

Very important indicator to measure the economic development of a region is the GDP, as well as to analyze the economic structure and compare it with other areas. GDP can also describe the ability of a region to manage and explore the potential of its natural resources. GDP can be calculated through three approaches, namely: Production approach, Expenditure approach and Income approach

According to Sen that welfare economics is a rational process towards society release from barriers to progress. Social welfare can be measured from measures such as level of life, basic needs fulfillment, quality of life and human development.

3. Social Welfare

Social welfare is a system that includes programs and services that help people to be able to fulfil their need of social, economic, education and health (Zastrow, 2000). As United Nation definition that social welfare was organized activities aimed to help individuals or society to fulfil their basic needs and improve the well-being aligned with the interests of the family and society.

3.Conceptual Framework And Hypothesis

Conceptual framework explains the influence among variables, namely the exogenous variable influence to the endogenous variables, either intervening endogen or dependent endogen. The conceptual framework of research that describes the influence of the relationship between variables in this study as illustrated in Figure 1.
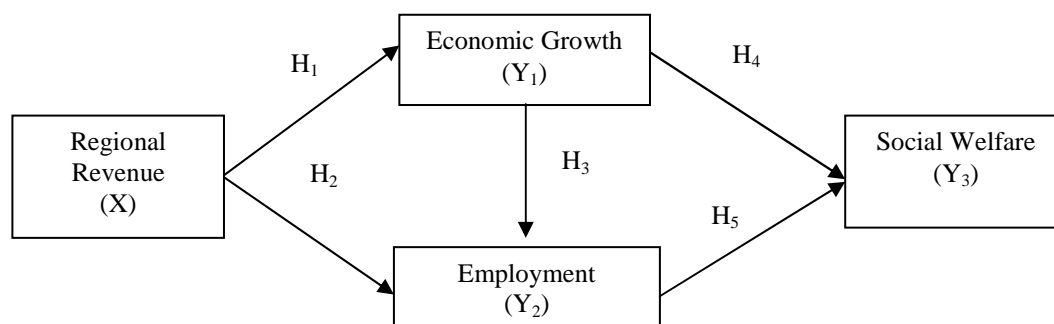

Figure 1 : Conceptual Framework

Hypothetical formulation in this study are as follows:
1. Revenue significantly influence economic growth in Palangka Raya.
2. Revenue significantly influence employment in Palangka Raya.
3. Economic growth significantly influence employment in Palangkaraya.
4. Economic growth significantly influence social welfare in Palangka Raya.
5. Employment significantly influence social welfare in Palangka Raya

4.Research Methodology

The research is to determine the influence of regional revenue towards economic growth, employment and social welfare in Palangka Raya, Central Kalimantan. The population used in this study is Palangka Raya in time series (time series) since year 2001 to 2011.

The variables that will be used in this study can be classified into exogenous and endogenous variables. Exogenous variables are variables that are considered to have an influence on the other variables, however, are not influenced by other variables in the model. Endogenous variables are variables that are considered influenced by other variables in the model. Exogenous variable in this study is the regional revenue (X). While endogen variables consist of: Economic Growth (Y_1) is an intervening endogenous variable, Employment (Y_2) is an intervening endogenous variable, and Social Welfare (Y_3) is an dependent- endogenous variable. Data analysis techniques will be used in this research is Path Analysis.

Table 1.Hypothesis Test Results

Exogenous variable	Endogenous variable	Path coefficient	Probability	Description
Regional Revenue (X)	Economic Growth (Y_1)	-0,265	0,174	Not significant
Regional Revenue (X)	Employment (Y_2)	0,444	0,195	Not significant
Economic Growth (Y_1)	Employment (Y_2)	-0,171	0,600	Not significant
Economic Growth (Y_1)	Social Welfare (Y_3)	-0,199	0,558	Not significant
Employment (Y_2)	Social Welfare (Y_3)	0.373	0,285	Not significant

Source : Attachment 1, being processed

Modified statistical hypothesis testing results as in Table 1 can also be presented in Figure 2 below :
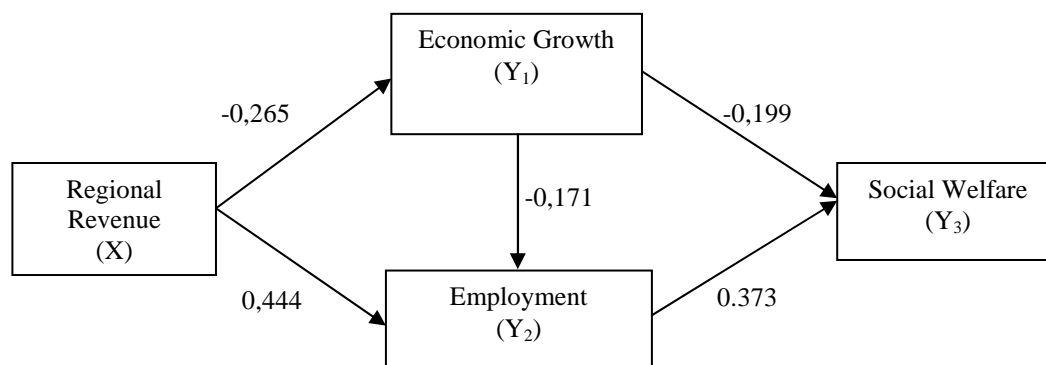

Figure 2 Conceptual Framework

Outputs And Discussion

*Hypothesis 1.*The first finding in this study is regional revenue has no significant influence towards economic growth in Palangka Raya, leading to negative relationship. Standardize path coefficient is -0.265, with a probability is 0.174> 0.05, thereby obtaining a decision of not-significant results of hypothesis testing. This shows that regional revenue has not been successfully managed for regional expenditures which could trigger regional economic activity in order to improve public access to economic activities. Increasing access to economic activites impact on increasing regional revenue in Palangka Raya.

*Hypothesis 2.*The second finding in this study is regional revenue has no significant influence towards labor absorption in Palangka Raya. Standardize path coefficient is 0.444, with a probability is 0.195> 0.05, thereby obtaining a decision of not-significant results of hypothesis testing.This shows that regional revenue has not successfully managed for regional expenditures that can support and accelerate the growth of sectors that have a high absorption for workforce in Palangka Raya.

*Hypothesis 3.*The third finding in this study is economic growth has no significant influence towards labor absorption in Palangka Raya, leading to negative relationship. Standardize path coefficient is -0.171, with a probability is 0.600> 0.05, thereby obtaining a decision of not-significant results of hypothesis testing.This shows that economic growth in Palangka Raya has not qualified yet, tends to rely on capital-intensive and consumptive activities, difficult to develop the industrial sector. The low absorption of labor due to the low quality of human resources provided and the mismatch. Labor absorbed from outside Palangka Raya.

*Hypothesis 4.*The fourth finding in this study is economic growth has no significant influence towards social welfare in Palangka Raya, leading to negative relationship. Standardize path coefficient is -0.199, with a probability is 0.558> 0.05, thereby obtaining a decision of not-significant results of hypothesis testing.This

shows that economic growth in Palangka Raya only enjoyed by a small part of high-income people, and even tended to widen the gap between high-income groups and low-income groups. It is caused due to an increase in GDP figures are economically more widely enjoyed by most people from outside Palangka Raya.

*Hypothesis 5.*The fifth finding in this study is labor absorption has no significant influence towards social welfare in Palangka Raya. Standardize path coefficient is 0.373, with a probability is 0.285> 0.05, thereby obtaining a decision of not-significant results of hypothesis testing.This shows that labor absorption in Palangka Raya has not significantly successful can increase social welfare. This occurs because labor absorption tends to underutilized, which seems economically active work, but actually they do not working full time.

5.Conclusion

Regional revenue has negative not significant effect on economic growth in Palangka Raya. This shows that the increase in revenue Palangka Raya does not cause any real increase in regional economic growth. This is due to the revenue budget has been used for regional expenditures that do not trigger regional economic activities so that people's access to economic activities is very low. Low access to economic have an impact on regional low income. In accordance with the results of the data analysis using Path Analysis, the path coefficient is -0.265 and the probability is 0.174> 0.05.

Regional income has not significant effect on employment in Palangka Raya. This shows that the increase in regional revenue in Palangka Raya does not cause any real increase in the number of employment. This occurs because regional revenue in Palangka raya spent on items that do not support and accelerate the growth of sectors that have a high absorption of the workforce. In accordance with the results of the data analysis using Path Analysis, the path coefficient is 0.444 and the probability is 0.195> 0.05.

Economic growth in Palangka Raya has negative not significant effect on employment. This occurs because of the economic growth in Palangka Raya tend to rely on capital-intensive and consumptive activities, difficult opportunities to grow the industrial sector, the low quality of human resources available and mismatch. In accordance with the results of the data analysis using Path Analysis, the path coefficient is -0.171 and the probability is 0.600> 0.05.

Economic growth has negative not significant effect on social welfare in Palangka Raya. That is, increasing of the economic growth for only a small percentage of high-income households. Even tend to widen the gap between high-income groups and low-income groups. It is caused due to an increase in GDP figures are economically more widely enjoyed by non-resident of Palangka Raya. In accordance with the results of the data analysis using Path Analysis, the path coefficient is -0.199 and the probability is 0.558> 0.05.

Employment has not-significant effect on social welfare in Palangka Raya. This shows that the increasing number of employment tend not improve social welfare. This occurs because employment are underutilized in Palangka Raya, which appear economically active work, but actually they are not working fulltime. In accordance with the results of the data analysis using Path Analysis, the path coefficient is 0.373 and the probability is 0.285> 0.05.

Regional autonomy demanded for local governments to increase the capability and effectiveness in running the government. But in fact the local government has not run the function and role efficiently, especially in the regions of financial management. The weakness on spending plan led to possibilities of underfinancing or overfinancing. The main problem faced is the lack of capability due to underfinancing work program to fulfill the needs and demands of the public. While overfinancing problem is low efficiency. So many public services being run inefficiently and not in accordance with the demands of the public, while the funds within the budget regions is public funds. (Isal Amri, 2007:23).

Increase in tuition fees and health are likely to rise higher than the income of the people so that an increase in people's income is still not compensate for costs required to access education and better health. Number of government officials are using public money for private interests and political parties, granting aid / scholarships uneven and not the right target. Local government has not the main focus on the fulfillment on facilities and health services for Palangka Raya, so that during period year 2001 to 2011 has not shown any progress of public health services. Palangka Raya as the capital of Central Kalimantan province and a cross-regional and national centers, should be a referral center of health and education. However, because of the quality of human resources is low and the lack of supporting facilities make Palangka Raya prefer to get health services in others provinces and other countries, such as South Kalimantan, Jakarta, Java, Malaysia and Singapore.

Based on the seven conclusions that have been proven quantitatively, the general conclusion can be drawn that regional revenue towards economic growth, employment and social welfare in Palangka Raya, Central Kalimantan was influential not significant. This resulted in the unemployment rate and the growing of social welfare have not fairly and equitably.

Palangka Raya local government in terms of financial management should strictly implement the regional authority, duties and responsibilities based on the principles and rules embodied in the Indonesian Government Regulation No. 58 Year 2005 concerning the Regional Financial Management.

Palangka Raya local government to develop the primary sector and the secondary sector are jointly so that the primary sector output can be processed into semi-finished goods and finished goods. This is done so that the semi-finished goods and finished goods that can be exported which in turn can enhance regional economic growth. Palangka Raya local government to improve the quality of human resources sustainably, to be able to replace human resources from outside Palangka Raya. In this way is expected to improve social welfare in Palangka Raya.

Palangka Raya local government to improve the Human Development Index (HDI), primarily through educational level indicator from an early age. Programs such as early childhood education (ECD) in each village/sub-district in Palangka Raya. There needs to be a contract agreement for students who continue their studies outside Palangka Raya, both domestic and foreign-funded or subsidized by local governments to return back to imply their skills or knowledge in order to develop Palangka Raya.

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