

The Effect of Local Own Revenue, General Allocation Funds, and Special Allocation Funds on Poverty Rate in the Special Region of Yogyakarta and Central Java Province

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Abstract

Introduction/Main Objectives: Poverty is a condition in which an individual or group in society can't fulfill their daily needs due to low- income levels. During the period 2014-2016, the poverty rate in Indonesia fluctuated both in relative and absolute terms. **Background Problems:** During the 2011-2015 periods, the java regions with the lowest PDRB came from Yogyakarta and Central Java Province. Therefore, the researchers made the two areas as objects of research related to the effect of PAD, DAU, and DAK on poverty levels in the two regions. **Research Methods:** This type of research uses a quantitative approach. The data used is secondary data with the type of panel data. The method used in sampling is the purposive sampling method, and in data collection, researchers used documentation methods obtained from BPS and the Ministry of Finance. The data analysis technique used is to use multiple regression models and test the classic assumption with the E-Views analysis tool. **Finding/Results:** Based on the results of the analysis using multiple regression models, it can be explained that simultaneously there is an influence between PAD, DAU, and DAK on the poverty level in Yogyakarta and Central Java Province. Meanwhile, partially the test results show that PAD and DAU have a negative effect on the poverty level, while the DAK variable has a positive effect on the poverty level in Yogyakarta and Central Java Province.

Keywords: DAU, DAK, PAD, PDRB, Poverty Level.

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1. Introduction

Economic growth and development are two concepts that can't be separated in the national development process of a country, especially Indonesia. Managing the national development of a country is not an easy matter, especially for Indonesia which is a developing country. For Indonesia to increase economic growth requires considerable effort because the problems of national development and economic growth cannot be separated from the problems of poverty and inflation.

Economic growth and economic development have a positive correlation, because economic growth is the success of economic development. These two things are important aspects for the progress and development of a country. Economic growth is the development of activities in the economy that causes goods and services produced in society to increase and the prosperity of the community increases. On the other hand, economic development itself is an effort to increase per capita income by processing potential economic strengths into a real economy by investing, using technology, adding knowledge, increasing skills, enhancing organizational and management skills (Sukirno, 2011).

In economic problems in Indonesia, the government always emphasizes how the government can overcome and reduce the level of poverty in Indonesia. Poverty is one of the problems in economic development which has become the center of attention of the government in Indonesia. Poverty is a condition in which an individual or group in a society is unable to meet their daily needs due to low income levels. During the period 2014-2016, the poor population in Indonesia fluctuated both in relative and absolute terms in March 2015, experiencing an increase compared to September 2014.

Poverty makes a population lose welfare in life. On target poverty alleviation can improve the quality of development in an area. Central Java Province and Yogyakarta Province are part of the Province in Indonesia which are located in the Java archipelago. These Province show that both have considerable potential to increase economic growth in Indonesia. This can be seen in the table below, the level of economic growth of the two Province, as reflected in the value of GRDP in 2011 to 2015.

Table 1. Economic Growth (GRDP) of Central Java Province and Yogyakarta Province (in Billion Rupiah)

GRDP Province	2014	2015	2016	2017	2018
Jawa Tengah	922.471	1.010.987	1.087.317	1.172.400	1.268.701
DIY	92.842	101.441	109.962	119.131	129.877

Source: BPS Provinsi Jawa Tengah and BPS Provinsi D.I. Yogyakarta

The economic growth rate in the two Province for five years has continued to experience a significant increase. The increase in the economic growth of the two Province is influenced by several external economic factors such as the local own revenue (PAD), general allocation funds (DAU), inflation, foreign investment, domestic investment,

government spending and labor.

Along with the increasing level of economic growth in the two province, the poverty rate in the community has fluctuated. This is shown in the table below.

Table 2. Total Population and Poverty Rates Province of Central Java and Special Region of Yogyakarta Period 2014-2018

Year	Central Java Province		Special Region of Yogyakarta Province	
	Total Population (000)	Poverty Rates (000)	Total Population (000)	Poverty Rates (000)
2014	33.523	4.699,14	3.637	532,6
2015	33.774	4.541,41	3.679	550,3
2016	34.019	4.500,32	3.721	494,94
2017	34.258	4.324,10	3.762	488,35
2018	34.491	3.882,31	3.803	460,11

Source: BPS Provinsi Jawa Tengah and BPS Provinsi D.I. Yogyakarta

Based on the table above, it can be seen that the increase in economic growth in the two provinces can reduce the level of poverty in the region from 2014 to 2018, this shows that there is a correlation between an increase in economic growth and the level of poverty. With the increase in economic growth from 2014 to 2018, it can affect the reduction of the poverty rate in the two provinces.

To overcome the problems of economic growth caused by increasing levels of poverty and unemployment, the government must be able to take preventive steps to solve these problems. One of the ways that can be used by the government is to use regional income and expenditure as an instrument to increase economic growth, reduce unemployment and reduce and overcome poverty levels. The regional income includes Local Own Revenue (PAD), General Allocation Fund (DAU), Special Allocation Fund (DAK), and regional expenditure covering development expenditure.

The increase in PAD will trigger economic growth in an area so that it can reduce the unemployment rate and the poverty level. On the other hand, an increase in local revenue can also optimize the activities of each economic sector such as the industry and trade sectors, the service sector and other sectors. To increase and optimize regional revenue, a strategy in revenue management is needed by means of efficient and appropriate budget management. Based on the phenomenon of the problems above, the researcher wants to study and test how the influence of PAD, DAU and DAK on the level of poverty that occurs in Central Java and Yogyakarta Province.

2. Literature Review

2.1 PAD, DAU, DAK

Local Own Revenue or often abbreviated as PAD is revenue obtained by each region from regional sources within its own territory which is collected based on regional regulations

in accordance with regional regulations and applicable laws (Siregar, 2017).

The higher the PAD of a region, the higher the finances owned by the region in carrying out activities for regional development. The original regional income comes from local taxes, regional retribution, the results of separated wealth management and other legitimate regional original income. Local own revenue is said to be able to meet regional development financing if its achievement exceeds 70% of total revenue (Carunia, 2017).

According to Law Number 33 of 2004, the General Allocation Fund (DAU) is a transfer of government funds to local governments originating from APBN revenues, which are allocated with the aim of equitable distribution of financial capacity between regions to fund regional needs in the context of implementing decentralization (Direktorat Jendral Perimbangan Keungan, 2016). According to Halim (2016), the general allocation fund is a block grant, which means that the use of funds will be handed over to regions that have been adjusted to regional priorities and needs for improving services to the community in the context of implementing regional autonomy.

According to Government Regulation Number 55 of 2005, Special Allocation Funds (DAK) are funds sourced from APBN revenues allocated to certain regions with the aim of funding special activities that are regional affairs and in accordance with national priorities. According to Law Number 33 of 2004, the special allocation fund (DAK) is a fund used to cover gaps in public services between regions by giving priority to the fields of education, health, infrastructure, marine and fisheries, agriculture, regional government infrastructure and the environment ((Direktorat Jendral Perimbangan Keungan, 2016).

Based on the above definition, it can be concluded that the original regional income is the income obtained by the region which comes from the people in the area. Regional original income is a form of income on the finances of a region. Meanwhile, general allocation funds are funds obtained by each region from the central government in order to distribute regional finances as a form of implementation of fiscal decentralization for each region. And the special allocation fund is a transfer fund from the central government which is given to each region to finance the special activities of each region.

2.2 Economic Growth and Poverty

Economic growth is the development of activities in the economy that cause goods and services produced in society to increase and the prosperity of the community to increase (Sukirno, 2011). Economic growth is an activity in the economy that causes the amount of production of goods and services in society to increase, thereby increasing the level of prosperity in society. Economic growth is a reflection of the progress of a country, because economic growth is an instrument to measure the achievements of economic development from one period to another period.

According to Jhinghan (2012), six characteristics of economic growth based on national products and its components are population growth rate and per capita product; increased productivity; high rate of structural change; urbanization; expansion of developed countries; and the flow of goods, capital and people between nations.

According to the Central Statistics Agency (BPS), poverty is an inability from the economic side to meet basic food and non-food needs as measured in terms of expenditure. The poor are people who have an average monthly expenditure per capita below the poverty

line. The poverty line determined by BPS is the sum of the food poverty line (GKM) and the non-food poverty line (GKNM). The food poverty line (GKM) is the value of the minimum food expenditures equivalent to 2100 kilo calories per capita per day and the non-food poverty line (GKNM) is the minimum need for housing, clothing, education and health. Commodity packages for non-food basic needs are represented by 51 types of commodities in urban areas and 47 types of commodities in rural areas.

2.3 Previous Research

Research conducted by Irma *et., al* (2017) with the title "Analysis of the influence of PAD, DAU and DAK on poverty through regional spending in the city of Bitung". In this study, using multiple regression analysis method for path analysis testing. The results of this study indicate that PAD, DAU and DAK have a negative effect on poverty levels through regional spending.

According to Setiyawati and Hamzah (2007), with the title "Analysis of the influence of PAD, DAU, DAK and development spending on economic growth, poverty and unemployment using a path analysis approach". The test used in this study uses multiple regression tests and the results of this study state that PAD has a positive effect on economic growth while DAU has a significant negative effect on economic growth and DAK has no significant effect on economic growth. Another result states that economic growth has a significant negative effect on poverty levels.

2.4 Hypothesis

The hypothesis of this research is as follows:

- H₁ : Local Own Revenue (PAD) has a negative and significant effect on the poverty rate in the Special Region of Yogyakarta and Central Java Province in 2016-2018
- H₂ : General Allocation Fund (DAU) has a negative and significant effect on the poverty rate in the Special Region of Yogyakarta and Central Java Province in 2016-2018
- H₃ : Special Allocation Fund (DAK) has a negative and significant effect on the poverty rate in the Special Region of Yogyakarta and Central Java Province in 2016-2018
- H₄ : Local Own Revenue (PAD), General Allocation Fund (DAU), dan Special Allocation Fund (DAK) simultaneously have a negative and significant effect on poverty rate in the Special Region of Yogyakarta and Central Java Province in 2016-2018.

3. Method, Data and Analysis

3.1 Data and Data Sources

The data used in this research is secondary data with the type of panel data. The data includes data on local own revenue (PAD), general allocation funds (DAU), special allocation funds (DAK) and poverty levels obtained from the Central Statistics Agency (BPS), the Regional Financial and Property Management Agency for Central Java and DIY and Ministry of Finance in 2016-2018.

3.2 Data Collection Methods

In this research, to obtain information and data, researchers used documentation techniques. This technique is a technique for obtaining data or information in the form of documentation records that can be obtained from the websites of BPS, BPK and the

3.3 Operational Definition of Variables

Operational definition shows the proxy of a variable. In this study, there are two variables, namely endogenous variables consisting of poverty levels and exogenous variables consisting of local own revenue (PAD), general allocation funds (DAU), and special allocation funds (DAK). Each variable can be explained as follows:

- a. Local Own Revenue (PAD) which consists of local taxes, regional retribution, revenue from regional company profits and other legal revenues. Original regional revenue in the budget realization report of the Yogyakarta Special Region government and Central Java Province for the 2016-2018 fiscal years.
- b. General Allocation Fund (DAU) is a general transfer from the central government to regional governments to anticipate horizontal imbalances with the main objective of equitable distribution of financial capacity between regions. DAU is obtained by looking at the balance funds in the budget realization report of the Yogyakarta Special Region government and Central Java Province for the 2016-2018 fiscal years.
- c. Special Allocation Funds (DAK) are funds sourced from APBN revenues allocated to certain regions with the aim of helping finance special activities that are regional affairs and in accordance with national priorities. DAK is obtained by looking at the balance funds in the budget realization reports of the Yogyakarta Special Government and Central Java Province for the 2016-2018 fiscal years.
- d. Poverty is a person's inability to meet basic food and non-food needs. Poverty is measured by the number of poor people. Poverty data were obtained from the Central Statistics Agency (BPS) of Yogyakarta Province and Central Java Province in 2016-2018.

3.4 Data Analysis Methods

The data analysis method used in this research is multiple linear regression tests. This test is used to see the effect of each of each variable. The analytical tool used in this test is E-views. The equation form of the multiple regression tests is as follows:

$$Y_i = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon_i \quad (1)$$

Information:

Y	: Poverty Rate	X ₁	: Local Own Revenue (PAD)
β_0	: Constant	X ₂	: General Allocation Fund (DAU)
β_{1-3}	: Regression Coefficient	X ₃	: Special Allocation Fund (DAK)
ε_i	: Standard error		

3.5 Classic Assumption Test

A regression model is said to meet the requirements as an empirical model if the classical assumption test is carried out prior to interpretation of the results. Among the classical assumption tests used are normality test, heteroscedasticity test, autocorrelation test and multicollinearity test. If the model used is in accordance with the BLUE (Best Linear Unbiased Estimation) rules then it can be continued to interpret the results which include partial and simultaneous testing and testing of the coefficient of determination from

4. Result and Discussion

4.1 Overview of Research Objects

The objects used in this study are the Central Statistics Agency in the Special Region of Yogyakarta and Central Java for the 2016-2018 Period and the Ministry of Finance. This research object was chosen because in the data collection process the researcher used the documentation method where the data came from a collection of notes and documentation that could easily be obtained through the website of the research object.

4.2 Classic Assumption Test

4.2.1 Normality Test

This test aims to test whether the regression model used can be normally distributed. Normality testing can be done using the Jarque-Bera Probability test. A data can be said to be normally distributed if the significance value exceeds the 5% alpha level (Ghozali, 2017). The following shows the results of the normality test:

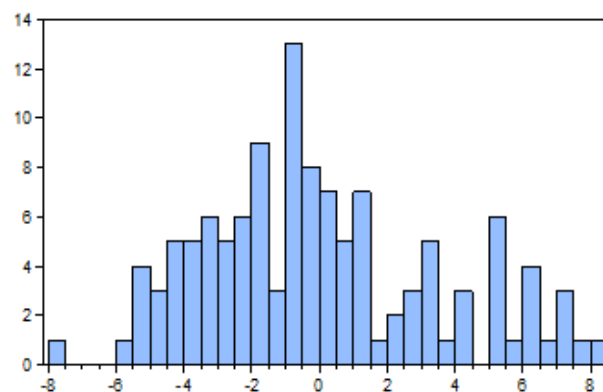
Table 3. Normality Test Results

Jarque-Bera	Probabilitas
5,474210	0,064758

Source: Data Processed with *E-views 8*

Based on the table above, it shows that the data in this research can be said to be normally distributed. This is indicated by the probability value of 0.064758. This value is greater than the predetermined alpha level. These results are also supported by the results of the histogram graph shown in the paragraph below:

Figure 1. Normality Histogram Figure



Source: Data Processed with *E-views 8*

4.2.2 Multicollinearity Test

This test is used to test whether the regression model used has a correlation between independent variables. To find out whether there is multicollinearity in this study, it can be

seen from the correlation value between variables which will be presented in the table below:

Table 4. Multicollinearity Test Results

Model	Collinearity Statistics
PAD	1,000000
DAU	0,406624
DAK	0,147532

Source: Data Processed with *E-views 8*

A regression model can be said to be free from multicollinearity if the cut off value used for the tolerance value is above 10. Based on the table above, it can be concluded that there are no multicollinearity symptoms in the regression model used.

4.2.3 Autocorrelation Test

This test is used to test whether in the regression model there is a correlation between confounding errors in the t-1 period. To find out whether there is autocorrelation in a regression model, it can be seen from the Durbin Watson value (Ghozali, 2017). The results of this test are shown in the table below:

Table 5. Autocorrelation Test Results

Model	Durbin Watson
1	1,984354

Source: Data Processed with *E-views 8*

Based on the test results above, the DW value is 1.984354. This figure is greater than the DL value of 1.61513 and the DU value of 1.7356. From these data it can be concluded that there are no autocorrelation symptoms in the regression model used.

4.2.4 Heteroscedasticity Test

The heteroscedasticity test is used to see whether in this regression test there is an inequality of the variants of the residuals between one observation and another. To find out whether there is a heteroscedasticity problem, it can be seen from the t value that exceeds the 5% alpha level. Below will explain the results of heteroscedasticity testing in this study.

Table 6. Heteroscedasticity Test Results

Variabel Bebas	Koefisien	Standar error	t-statistik	Probabilitas
Konstanta	-0.757565	1.165378	-0.650060	0.5169
PAD	-0.096398	0.346310	-0.278356	0.7812
DAU	1.228422	1.467405	0.837139	0.4042
DAK	0.134427	1.499204	0.089666	0.9287

Source: Data Processed with *E-views 8*

Based on the table above, it shows that the probability value on each independent variable exceeds the 5% alpha level. It can be concluded that the regression equation used is not affected by heteroscedasticity problems.

4.3 Multiple Linear Regression Test

4.3.1 Determination Coefficient Test

The coefficient of determination test is used to determine how much the independent variable is able to explain the dependent variable. The following is attached the results of the determination coefficient test:

Table 7. Determination Coefficient Test Results

Step	R-Squared
1	0,297717

Source: Data Processed with *E-views 8*

Based on the table above, it shows that the R-Squared value is 0.297717. These results indicate that the dependent variable (poverty level) can be explained by the independent variables (PAD, DAU and DAK) of 29% and the remaining 71% can be explained by other variables not explained in this study.

4.3.2 Test Simultaneously

The F statistical test or simultaneous testing is used to see whether all the independent variables used in this study have a simultaneous influence on the dependent variable. The results of the F test calculation can be seen in the table below:

Table 8. Test Simultaneously Results

F-Statistik	Probabilitas (F-Statistik)
15,39183	0,00000

Source: Data Processed with *E-views 8*

From the test results above, it can be seen that overall exogenous variables can affect endogenous variables with a value of 0.000 this figure is smaller than the alpha level. So it can be concluded that the variables PAD, DAU and DAK simultaneously affect the level of poverty in Central Java Province and Yogyakarta Province.

4.3.3 Test Partially

This test is used to see the influence between the dependent variable and the independent variable. In partial testing, this study uses a common effect model which is shown from the value of the t-statistic and probability (t-statistic). The level of significance used in this study is 5%. The following are the results of testing partially in this study:

Table 9. Test Partially Results

Independent Variable	t-statistik	Probabilitas (t-statistik)
Constant	-2,053565	0,0423
PAD	-4,726916	0,00000
DAU	3,419937	0,0009
DAK	2,344593	0,0207

Source: Data Processed with *E-views 8*

The partial test results show that PAD has a negative and significant effect on poverty levels, DAU has a positive and significant effect on poverty levels and DAK has a positive and significant effect on poverty levels in the Special Region of Yogyakarta and Central Java Province.

4.4 Discussion

1. Based on table 9 above, it can be seen that the local own revenue variable (PAD) has a significance value of $0.000 < 0.05$ with a negative significant direction. From this value, it can be concluded that the PAD variable has a negative and significant effect on the poverty level. This result is in accordance with H_1 which states that local own revenue (PAD) has a negative and significant effect on poverty levels in the Special Region of Yogyakarta and Central Java Province in 2016-2018. An increase in PAD can lead to a decrease in the level of poverty.
2. Based on table 9 above, it can be seen that the general allocation fund (DAU) variable has a significance value of $0.0009 < 0.05$ with a significant positive direction. From this value, it can be concluded that the DAU variable has a positive and significant effect on the poverty level. This result is not in accordance with H_2 which states that the general allocation fund (DAU) has a negative and significant effect on the poverty rate in the Yogyakarta Special Region and Central Java Province in 2016-2018. The increase and increase in general allocation funds in the two Provinces can increase economic growth so as to reduce poverty levels. The discrepancy between the interpretation results and the hypothesis is due to the fact that the transfer of funds received by the central government to local governments in the two provinces does not focus on reducing the poverty level and these funds are used for other activities that are more focused on regional development.
3. Based on table 9 above, it can be seen that the special allocation fund (DAK) variable has a significance value of $0.0207 < 0.05$ with a positive significant direction. From this value, it can be concluded that the DAK variable has a positive effect on poverty levels. This result is not in accordance with H_3 which states that the special allocation fund (DAK) has a negative and significant effect on the poverty rate in the Special Region of Yogyakarta and Central Java Province in 2016-2018. The discrepancy between the results of the interpretation and the hypothesis is caused by the inadequate use of the special funds allocated by the central government to the regions to reduce poverty levels in the

5. Conclusion and Suggestion

5.1 Conclusion

The following conclusions can be presented by the author:

1. Local Own Revenue (PAD) has a negative relationship with poverty levels in Central Java and Yogyakarta Province for the 2016-2018 period. An increase in PAD can lead to a decrease in the level of poverty.
2. The General Allocation Fund (DAU) has a positive relationship with the level of poverty in Central Java and Yogyakarta Provinces for the 2016-2018 period.
3. The Special Allocation Fund (DAK) has a positive relationship with poverty levels in Central Java and Yogyakarta Province for the 2016-2018 period.
4. Local Own Revenue in the Special Region of Yogyakarta and Central Java Province was able to reduce poverty both partially and simultaneously.

5.2 Suggestion

The author will provide the following suggestions:

1. Poverty alleviation for the people is the Government and regional government policies and programs that should be implemented systematically, planned, and in synergy with the business world and society to reduce poverty levels in the context of increasing welfare.
2. The poverty level of a region remains the homework of the Regional Government where regional revenue and regional allocations are expected to alleviate or reduce poverty so that it is better for the government to strive to increase regional income and spread regional allocations. That's do to reduce the level of poverty which causes economic growth
3. It is hoped that regional economic growth in various sectors can be managed properly so as to reduce the burden on local people who are still in poverty.

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