The Effects of Local Governmental Incomes, General Allocation Funding and Special Allocation Funding on Open Unemployment in West Java Province: A Panel Data Analysis from 2013 to 2020

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Abstract. The study aimes to investigate the contributions and effects of local govermental income, general allocation funding, and special allocation funding on open unemployment. Drawing on the West Java provincial panel data, the study sought to examine the relationships of the existing variables by means of panel data regression analysis. Results indicated Regional Original Income had a positive and significant effect on open unemployment in West Java Province. The General Allocation Fund had a negative and significant effect on open unemployment in West Java Province. The Special Allocation Fund had a positive and significant effect on open unemployment in West Java Province.

Keywords: General Allocation Fund, Open Unemployment, Regional Original Income, Special Alloction Fund

1. Introduction

To improve regional development, one of them is to manage existing human resources with special training to increase employment as widely as possible to reduce unemployment. Based on its characteristics, employment is basically is divided into four groups, one of which is open unemployment. Open unemployment is unemployment as a result of increasing job vacancies lower than increasing labor (Sukirno, 2004). Open unemployment is a jobless workforce. Open unemployment, usually its rate informs, is expressed in a percentage of the labor force (Sukirno, 2000). To see the affordability of workers (employment opportunities), the formula of Open Unemployment Rate is commenly used.

The Open Unemployment Rate in West Java Province in 2016-2019 evidently fluctuated. In 2016 it was 8.89 percent, then in 2017, it decreased to 8.22 percent. In 2018 it happended a not-too-significant increase to 8.23 percent, then in 2019, it indicated a significant decrease to 8.04 percent. To be able to reduce unemployment, it is necessary to intervene with local governments. As the rights and obligations of local governments regulated in Law Number 32 of 2004 sugest, there is a change in the policy of the Indonesian government system which was originally centralized, now are turned into decentralization. Local governments have the right, obligation, and authority to regulate government affairs in managing regional development. Local governments can use existing finances in the regions, namely Local Original Revenue, General Allocation Fund, and Special Allocation Fund.

Based on Law No. 28 of 2009, Regional Original Income is a regional financial source extracted from the area concerned consisting of local taxes, regional levies, management of the wealth of the

segregated area, and the other original income of the area that g legitimate. Regional Native Revenue acts as a source of income to support development in the region, Regional Original Income is also an indication of the regional ability to resources that can be excavated by the area.

The General Allocation Fund is a balanced fund sourced from state budget revenues allocated with the aim of funding regional needs in the implementation of decentralization programs. General Allocation Fund, which is several equalization funds that are allocated to each local government once a year as a balanced fund used for the development of their respective regions by the needs of an area. The Special Allocation Fund is a balanced fund sourced from the opinion of the State Budget allocated to a particular region intending to help to fund specific activities and programs accordingly to national program priorities.

Based on the rationale of research, the topic of research is related to the influence of the allocation of Regional Original Income, General Allocation Fund, and Special Allocation Fund, which is not optimal and has not been effective, on open unemployment in Java Province West in 2013-2020.

2. Research Methods

The research sites included 26 regencies/cities (Kabupaten/Kota) in West Java Province during 2013-2020. The research focuses are cconcerened with Regional Original Income, General Allocation Fund, Special Allocation Fund, and Open Unemployment in 2013-2020. The type of data used in the study covered such kind of profit from the Directorate General of Financial Balance and the Central Statistics Agency of West Java Province. Data analysis techniques in this study included classical assumption analysis, panel data regression analysis, and Feasible General Least Square results on Fixed Effect Model with calculations using the Eviews 8.0 application. This study also used multiple linear analysis techniques. The multiple linear regression formula is as follows:

$$Y = \alpha + \beta_1 X_1 it + \beta_2 X_2 it + \beta_3 X_{3it} + e_{it}$$

Description:

Y	=	Open Unemployment
X_1	=	Local Revenue
X_2	=	General Allocation Fund
X_3	=	Special Allocation Fund
$\beta_{1,2,3}$	=	Regression Coefficient
α	=	Constant
e	=	Standard Error

3. Result

This study used the calculation of Feasible General Least Square with the coefficient of estimation of Cross Section Weight (PCSE) on the Fixed Effect Model. Emprically, it is enough to test the normality test and the multicollinearity test and thus it is necessary to test heteroscedasticity test and autocorrelation test.

Source: Primary Data Processed, 2022
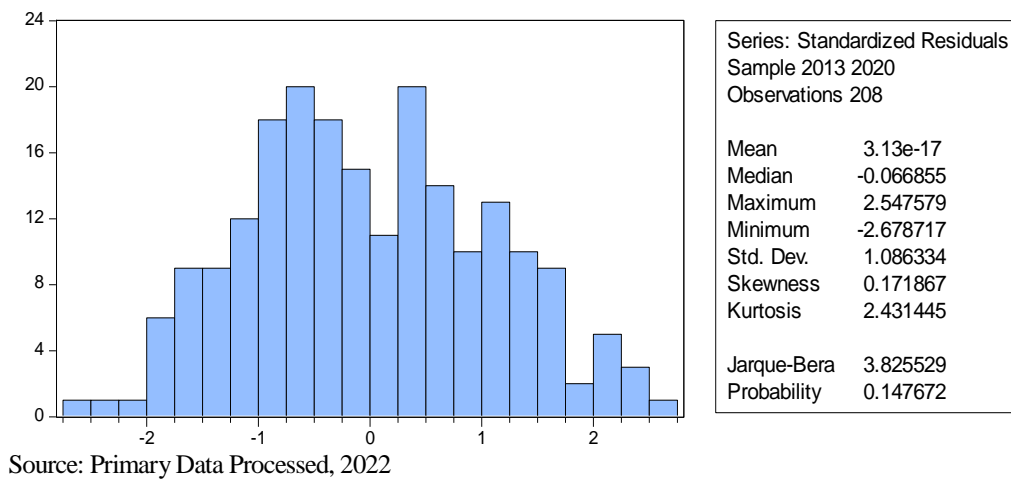
Figure 1. Normality Test Results

Based on Figure 1, it can be seen that the probability (p-value) of 0.147672 > 0.05, and it is concluded that the data is normally distributed.

Table 1. Multicollinearity Test Results

	X1_PAD	X2_DAU	X3_DAK
X1_PAD	1.000000	0.427745	0.273109
X2_DAU	0.427745	1.000000	0.697967
X3_DAK	0.273109	0.697967	1.000000

Source: Primary Data Processed, 2022

Based on Table 1, it is known that all correlations between free variables do not have a value of more than 0.8, meaning that in this regression model there is no multicollinearity or there is no correlation between free variables.

This study used Feasible General Least Square with the coefficient of estimating Cross Section Weight in the Fixed Effect Model.

Table 2. Cross Section Weight Analysis Results

Variable	Coefficient	Std. Error	t-Statistic	**Prob.**
C	17.22558	1.189977	14.47556	0.0000
X1_PAD	6.49E-13	2.24E-13	2.896312	0.0042
X2_DAU	-8.25E-12	1.11E-12	-7.417100	0.0000
X3_DAK	1.58E-12	5.50E-13	2.875902	0.0045

Source: Primary Data Processed, 2022

Based on Table 2, the Feasible General Least Square regression equation with the Cross Section Weight estimation coefficient is Y = 17.22 + 6.49 (X1) - 8.25 (X2) + 1.58 (X3). To determine the magnitude of the influence of Regional Original Income, the General Allocation Fund and the Special Allocation Fund in explaining the variations in changes in Open Unemployment are calculated as coefficients of determination. The results of the regression analysis can be seen in the value of the coefficient determination (Ajd R^2 Square) of 0.7476 which means that 74.76 percent of the variation in changes in the rise and fall of Open Unemployment can be explained by the Local Revenue, the General Allocation Fund, and the Special Allocation Fund, while the remaining 25.24 percent can be explained by other variables that are not incorporated into the regression model.

To determine the feasibility level of the model in explaining the causal relationship between the Local Revenue, the General Allocation Fund, and the Special Allocation Fund with Unemployment

T, a joint significance test (F test) was carried out. The results of the joint significance test (F test) in this study obtained a $_{calculated}$ F or $_{statistical}$ F of 24.90459 with a p-value or $_{statistical}$ F of 0.000000 < 0.05, then Regional Original Income, Funds The General Allocation and the Special Allocation Fund simultaneously and significantly affected the Open Unemployment variable.

To determine the significance of the effect of Local Revenue, the General Allocation Fund and the Special Allocation Fund on Open Unemployment, the study partially used a regression coefficient test (t-test). The following is a breakdown of the Local Revenue, General Allocation Fund, and Special Allocation Fund in individual or partial hypothesis testing based on table 2, Local Revenue (X_1) is known to have a p-value of $0.0042 < 0.05$, then Local Native Income partially has a positive and significant effect on Open Unemployment, The General Allocation Fund (X_2) is known to have a p-value of $0.0000 < 0.05$, then the General Allocation Fund partially has a negative and significant impact on Open Unemployment dan The Special Allocation Fund (X_3) is known to have a p-value of $0.0045 < 0.05$, then the Special Allocation Fund partially positive and significantly affects Open Unemployment.

4. Discussion

The test results showed that Regional Original Income had a positive and significant effect on Open Unemployment in West Java Province. The test results are in line with Rizal et al (2021) and Adriani & Yasa (2015) that Regional Native Income has a positive and significant effect on Open Unemployment.

The test results showed that the General Allocation Fund had a negative and significant effect on Open Unemployment in West Java Province. The test results are in line with Ali & Ningsih's (2021) and Rizal's et al (2021) studies reporting that the General Allocation Fund has a negative and significant effect on Open Unemployment.

The test results showed that the Special Allocation Fund had a positive and significant effect on Open Unemployment in West Java Province. The test results are in line with Setiyawati & Hamzah's (2007) and Adriani & Yasa's (2015) studies reporting that the Special Allocation Fund has a positive and significant effect on Open Unemployment.

5. Conclusion

Based on the results of research and discussion, it can be concluded that Regional Original Income had a positive and significant effect on Open Unemployment in West Java Province during 2013-2020, the General Allocation Fund had a negative effect and significant to Open Unemployment in West Java Province in 2013-2020 and the Special Allocation Fund had a positive and significant effect on Open Unemployment, West Java Province during 2013-2020.

The limitation of this study is that it only includes three independent variables, namely Regional Original Income, General Allocation Fund, and Special Allocation Fund to explain their effect on Open Budgeting. The study suggests further research include more independent variables to obtain more accurate and expected results. In addition, further studies are suggested also to explore more research focuses or objects that are already shared in the study.

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