

The Effect Of Transfer Funds And Regional Original Income (Pad) On Poverty Levels In Regencies/Cities Of North Sumatra Province

Muhardinata¹, Erlina², Rujiman³

¹ Regional and Rural Development Planning Study Program

^{1,2,3} Universitas Sumatera Utara, Medan, Indonesia

*Corresponding Author:

Email: m.dinata1278@gmail.com

Abstract.

The objectives of this study are to: 1. Analyze the effect of Regional Original Income on the level of poverty in the Regency/City of North Sumatra Province. 2. Analyzing the effect of the General Allocation Fund on the poverty level in the Regency/City of North Sumatra Province. 3. Analyzing the effect of the Special Allocation Fund on the poverty level in the Regency/City of North Sumatra Province. 4. Analyzing the effect of the Revenue Sharing Fund on the poverty level in the Regency/City of North Sumatra Province. 5. Analyzing the effect of the General Allocation Fund, Special Allocation Fund, Revenue Sharing Fund, and Regional Original Income together on the poverty level in the Regency/City of North Sumatra Province. The method used is multiple linear analysis. The results in this study are 95.22 percent of the variation that occurs in the dependent variable can be explained by the independent variable. The remaining 4.78 percent is explained by other variables not used in the study such as inflation, economic growth, and unemployment; The DAU variable does not significantly affect the poverty level, the probability value of X2 is $0.0813 > 0.05$, indicating that the DAK variable has no significant effect on the poverty level, the X3 probability value is $0.3698 > 0.05$, indicating that the DBH variable has no significant effect on the poverty level, and the probability value of X4 in the table is $0.6903 > 0.05$, which indicates that the PAD variable has no significant effect on the poverty level; The significance of the simultaneous test that describes the effect of X1 (PAD), X2 (DAU), X3 (DAK), and X4 (DBH) together can be seen in Table 4.8 precisely on the value of Prob. (F-statistic) which is $0,0000 < 0.05$. This value shows that PAD, DAU, DAK, and DBH together have a significant effect.

Keywords: Transfer of Funds, Regional Original Income (PAD), Poverty Level

I. INTRODUCTION

North Sumatra Province is a province that is ranked fifth out of ten poor provinces on the island of Sumatra. The Central Bureau of Statistics of North Sumatra Province reported that in 2016, the number of poor people in North Sumatra Province fluctuated from 1999-2016. This happened due to the monetary crisis in mid-1997, the poor population in 1999 increased sharply to 1.97 million people or 16.74 percent of the total population of North Sumatra. In 2003 there was a decrease in the number of poor people in absolute and percentage terms, namely to 1.89 million people or 15.89 percent, while in 2004 the number and percentage decreased to 1.80 million people or 14.93 percent, then in 2005 the poor decreased to 1.84 million people or 14.68 percent, but due to the impact of the increase in fuel oil (BBM) in March and October 2005, the poor population in 2006 increased to 1.98 million people or 15.66 percent, and so on until in 2015 the number of poor people became 1.51 million people or 10.79 percent. In 2020, the number of poor people in North Sumatra rose to 1.28 million people, this number rose 0.12 points from 8.63 percent in 2019 to 8.75 percent in 2020. [2] Poverty is generally caused by the rate of population growth that is not accompanied by the number of available job vacancies, an unproductive labor force, low education levels and unequal income distribution, causing inequality in the pattern of resource ownership.

These things cause an increase in unemployment, an increase in the crime rate, an increase in the number of children dropping out of school, decreased educational opportunities, health levels below the Minimum Service Standards so that it has an impact on the poor condition of the development of the next generation. [3] [7] A good spending allocation is certainly expected to improve the welfare of the people, which can be seen from the indicators of economic growth and the reduction of poverty. The poverty rate is usually also influenced by government spending. Inappropriate and less than optimal expenditure allocations can lead to an increase in regional poverty rates. Local governments have the authority to generate revenue and play an independent allocation role in setting development priorities through regional autonomy and fiscal decentralization. The existence of regional autonomy policies and fiscal decentralization is expected to be able to reduce vertical and horizontal inequalities between regions and to equalize development in

accordance with the wishes of the regions to develop regions according to the potential of their respective regions. Fiscal decentralization in Indonesia was most recently regulated by Law Number 2 of 2015 concerning the Second Amendment to Law Number 23 of 2014 concerning Regional Government, as well as Law no. 33 of 2004 concerning the Financial Balance between the Central Government and Regional Governments.

In the implementation of fiscal decentralization, it is explained that Regional Original Revenue (PAD), General Allocation Fund (DAU), Special Allocation Fund (DAK), Revenue Sharing Fund (DBH), regional loans and other legitimate revenues are sources of revenue used for funding. local government. [4] [5] Efforts to increase regional revenues by paying attention to the development of PAD will encourage the government to increase economic growth and community needs. In addition, DBH, DAU, DAK and financial assistance from the provincial government, as well as other legitimate income are other sources of revenue that can be used to finance regional expenditures. DAU, DAK, DBH and PAD are part of local government financial sources. In relation to the implementation of regional autonomy, the government always increases PAD, because it is an income from efforts to finance the implementation of regional government. The increase in PAD must have an impact on the regional economy. [6] Several studies that have been conducted in various regions have confirmed the importance of DAU, DAK, DBH and PAD for analysis to determine how much influence each variable has on the poverty level so that later it is able to carry out regional development in accordance with the potentials of each region, so that needs to be done in the Regency/City of North Sumatra Province in order to determine the effect of DAU, AK, DBH and PAD on poverty levels.

II. RESEARCH METHOD

The type of research used is associative research. Associative research is research that aims to determine the influence or relationship between two or more variables. [9] The research was conducted in the Regency/City Government of North Sumatra Province by taking population data from all 33 Regencies/Cities of North Sumatra Province. The analytical method used to examine the effect of General Allocation Funds, Special Allocation Funds, Revenue Sharing Funds and Regional Original Income on the level of Poverty in the Regency/City of North Sumatra Province in this study is a multiple linear regression analysis of panel data. There are three models that can be used to perform panel data regression. The three models are Pooled OLS/Common Effect, Fixed Effect and Random Effect. [1]

III. RESEARCH RESULTS

The development of the poverty rate in North Sumatra in the period 2009 – 2021 is shown in Figure 4.1 below:

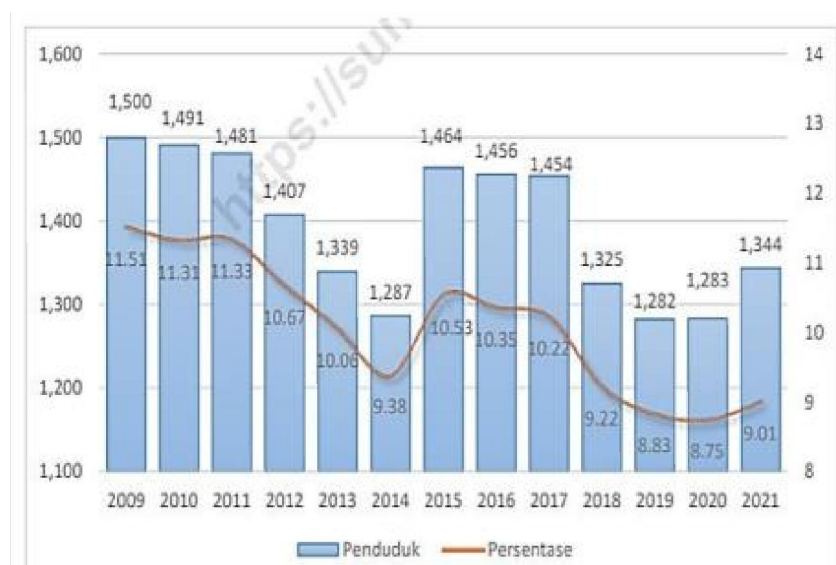


Fig 1. The Poor Population Rate of North Sumatra Province March 2009 - March 2021

In 2016, the poor population in North Sumatra Province was at 145,595,000. This figure decreased by 2,000 people at the end of 2017. In 2017, the poor in North Sumatra Province reached 145,390,000 while in the following year the poor in the same province reached 132,499,000. Where this proves that between 2017 and 2018 there were 129,000 people who had escaped from poverty. Furthermore, at the end of 2019 there was a decrease in the poverty rate in North Sumatra Province by 42,000. In contrast to previous years, the poverty rate of North Sumatra Province in 2020 has increased by 1,000 people. [2]

The Effect of the General Allocation Fund on the Poverty Level in the Regency/City of North Sumatra Province

In the significance test in the hypothesis test results section, the effect of the General Allocation Fund on the poverty level in the Regency/City of North Sumatra Province does not have a significant effect. The negative effect given by the General Allocation Fund on the poverty level has a duality effect. On the one hand, when the General Allocation Fund is increased by the central government, the poverty rate will be reduced, this is of course also one of the goals planned by the district/city government in North Sumatra Province. On the other hand, the increase in the amount of the General Allocation Fund is a reflection of the increasing dependence of local governments on the central government, of course, this is contrary to the fiscal decentralization goal launched by the central government in order to build regional governments that are independent and empowered in managing their respective regions. This insignificant influence can be used as a reference, that the General Allocation Fund distributed by the central government should not focus on being used for poverty reduction because the effect is not significant. General allocation funds can be used to finance regional needs which are an intervening variable in poverty alleviation, for example through regional expenditures.

Effect of Special Allocation Funds on Poverty Levels in Regencies/Cities of North Sumatra Province

The Special Allocation Fund has no significant effect on the poverty level of districts/cities in North Sumatra Province. The insignificant influence given by the Special Allocation Fund to the poverty level in the districts/cities of North Sumatra Province should be used as a basis, or a reference that the use of the Special Allocation Fund should be aimed at segments that can reduce poverty levels indirectly. In accordance with the purpose of its distribution, the General Allocation Fund can be used to build public facilities that are a national priority, such as bridge construction, construction, road repair and expansion, construction and improvement of transportation infrastructure facilities and so on. These facilities will later be able to revive the economic aspects of the community, so that the poverty level will decrease indirectly. For example, the construction of Kualanamu International Airport which not only affects the middle class but also the poor who open stalls on the side of the road leading to Kualanamu International Airport. More and more buildings, restaurants and other business sectors are starting to appear in the area around the airport, the roads are getting better, so that the economic mobility of the community is also getting higher which in turn reduces the poverty level.

The Effect of Profit Sharing Funds on Poverty Levels in Regencies/Cities of North Sumatra Province

Revenue Sharing Funds have a negative and insignificant effect on the poverty level of districts/cities in North Sumatra Province. Like the previous two types of transfer funds, namely the General Allocation Fund and the Special Allocation Fund, which also had a negative and significant effect. An increase in the amount of the Revenue Sharing Fund as a transfer fund from the central government if it is used for poverty alleviation, the results will not be effective because the effect is not significant. In addition, if the Revenue Sharing Fund is increased, the independence of the regional government will decrease, of course this is highly avoided considering the long implementation of fiscal decentralization through the regional autonomy policy that has been implemented by the government.

The Effect of Regional Original Income on Poverty Levels in Regencies/Cities of North Sumatra Province

Based on the results of the significance test, Regional Original Income does not have a significant effect on the level of poverty in the Regency/City of North Sumatra Province. The negative effect given by Regional

Original Income on the poverty level indicates that an increase in Regional Original Income, either by increasing the number of taxpayers, or by optimizing the performance of Regional Owned Enterprises (BUMD) will reduce the poverty level, although the changes provided are not significant. Efforts to reduce poverty is something that must be done carefully. This is because poverty is a multidimensional problem whose alleviation can not only be done by increasing or decreasing Regional Original Income.

IV. CONCLUSION

1. The General Allocation Fund has a negative and insignificant effect on the poverty level in the districts/cities of North Sumatra Province;
2. The Special Allocation Fund has a negative and insignificant effect on the poverty level in the districts/cities of North Sumatra Province;
3. Revenue Sharing Funds have a negative and insignificant effect on poverty levels in districts/cities of North Sumatra Province;
4. Regional Original Income has a negative and insignificant effect on poverty levels in districts/cities of North Sumatra Province;
5. The General Allocation Fund, the Special Allocation Fund, the Revenue Sharing Fund, and the Regional Original Income have a significant effect on the poverty level in the districts/cities of North Sumatra Province together.

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