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"Entrepreneurship on Global Economics Development in the Era of Society 5.0"

The Effect Regional Expenditures, Investment And Population on Original Regional Income Central Java 2019-2021**Faiz Alfarizi^{1*}, Noer Sasongko¹**¹Universitas Muhammadiyah Surakarta

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***Email:** faizalfarizi281@gmail.com**ABSTRACT**

This study aims to determine the effect of regional expenditure, investment and population on the original income of regencies/cities in Central Java Province in 2019-2021. This research is a quantitative descriptive study. The population in this study was regencies/cities in Central Java Province covering 29 regencies and 6 city areas for 3 years of observation. Study sample obtained 105 data. The data used in the study is in the form of secondary data. The data analysis method used in this research is multiple linear regression analysis. The results showed that regional expenditure had an effect on PAD, which was shown by the calculated value of the t table ($3,013 > 1,659$) with $p = 0.000 < 0.05$. Investment has no effect on local revenues shown t calculate $< t$ table ($1.501 < 1.659$) with $p: 0.136 > 0.05$. Total Population has no effect on local revenues shown t count $< t$ table ($1.108 < 1.659$) with $p: 0.271 > 0.05$. The conclusion of regional expenditure affects local revenues but is different from Investment and Total Population which does not affect local revenues.

Keywords: regional expenditure, investment, population, local revenues.

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INTRODUCTION

Indonesia is a country that has a diversity of ideologies, politics, economy, social and culture. In economic and economic conditions that vary or vary in each region, a more effective regional development system is needed. Therefore, the government provides an autonomy system to local governments with the aim that the region regulates its own households so that it is not too dependent on the Central Government, for example in policies and financial problems. For this reason, local governments must have the authority or ability to explore financial resources, manage and use these finances properly (Gitaningtyas & Kurrohman, 2014).

A consequence arises that from the implementation of regional autonomy, each region is required to increase the Regional Original Income which is useful for meeting the needs of its own household. This improvement aims to improve public services in order to achieve good governance. One of the incomes that has a great influence on local revenues is local taxes.

Local Revenue is also one of the indicators or criteria for measuring the dependence of a region on the Central Government. Based on Law No.32 of 2004, the source of revenue for Regional Original Income is obtained from Regional Taxes, Regional Levies, Segregated Regional Wealth Proceeds, and Other Legitimate Income (Gitaningtyas & Kurrohman, 2014). For this reason, it is very important for a region to increase its Regional Native Income and analyze what factors can increase its Regional Native Income. One of the factors that is thought to affect the economic growth of the region is investment. Economic growth in Indonesia, which is already very rapid, is inseparable from the growth of the main factor of the development investment process, namely capital formation. The investment in question is private investment (Kurniawan, Militina, & Suharto, 2017). Investment is one of the most important factors because it is easier to invest in modern times, namely through the internet. Through the internet, investment can be passed anytime anywhere and with any amount. Another factor that affects the original regional income is the number of residents, the more the number of residents, the greater the realization of the original regional income received by a regency/city in central Java Province. The increasing population will increase the tax levy set by the government.

Government spending is a reflection of local government policy. If the local government implements a policy on purchasing goods and services, then local expenditures reflect the costs incurred to implement the policy. Government spending in the real sense can be used as an indicator of the amount of government activities financed by government spending. The larger and more government activities, the greater the government expenditure concerned. (Sitaniapessy, 2013).

This research refers to previous research conducted by (Officer, Ridwan, & Fattah, 2018) by adding one independent variable used, namely Investment. Because investment specializes in economic development and is very positively influential on local income. (Batik, 2013) stated that the influence of investment on local income is very large, therefore if investment can enter an area, the impact will be wider on economic growth, employment and people's ability to purchase power increases which will ultimately affect the financial ability of a region.

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METHOD

This research is a quantitative descriptive study. The population in this study was regencies/cities in Central Java Province covering 29 regencies and 6 city areas for 3 years of observation. Study sample obtained 105 data. The data used in the study is in the form of secondary data. The data analysis method used in this research is multiple linear regression analysis with the following formula:

$$Pad = \alpha + \beta_1 PD + \beta_2 I + \beta_3 JP + e$$

Description :

PAD	: Local Revenue
α	: Constants
β_1 - β_2	: Regression Coefficient
PD	: Regional Expenditure
I	: Investment
JP	: Total Population
e	: Residual Severity

RESULT AND DISCUSSION

All the data obtained are then tabulated and analyzed statistically to find out the description of the data and statistical testing to find out the relationship between variables as a basis for hypothesis testing. From the results of calculations with SPSS version 21.0, the following data description is obtained:

Table 1. Descriptive Statistics

Variable	N	Min	Max	Mean	Std. Dev
Regional Expenditures	105	8,35	11,74	10,2148	0,41636
Investment	105	5,41	8,93	7,2100	0,75981
Population	105	5,08	6,30	5,9501	0,26581
local revenues	105	11,23	12,26	11,5198	0,17378

Source: Data processed

Based on the data that has been obtained, then a statistical analysis is carried out for hypothesis testing. The results are outlined as follows:

Table 2. Normality Test

Variable	Kolmogorov-Smirnov	Sig	p-value	Information
Unstandardized residual	0,134	0,000	P<0,05	Not normally distributed

Source: Data processed

Table 3. Multikolinieritas Test

Variable	Tolerance	VIF	Information
Regional Expenditures	0,969	1,032	No multicollinearity problem
Investment	0,848	1,179	No multicollinearity problem
Population	0,856	1,168	No multicollinearity problem

Source: Data processed

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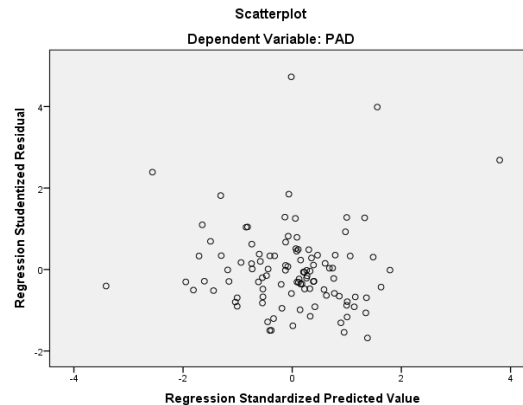


Figure 1. Heteroskedastisitas Test

Table 4. Autokorelasi Test

Variabel	D-W	-2 < D-W < +2	Information
Regional Expenditures, Investments, Population to local income	1,533	-2 < 1,956 < +2	No autocorrelation problem

Source: Data processed

Table 5. Regretion Test

	Koefisien	tcount	Sign.
Konstanta	9,646		
Regional Expenditures	0,117	3,013	0,003
Investment	0,034	1,501	0,136
Population	0,072	1,108	0,271
Adjusted R ²	0,147		
F coun	5,811		0,001

Source: Data processed

DISCUSSION

Effect Of Regional Expenditure On Local Revenues

The results showed that the variable Regional Expenditure statistically affects the original regional income. From the regression results obtained the value of t count = 3.013 with $p = 0.000$. While the magnitude of the t value of the table The original income of the region with a significance level of 5% is 1.659 Because $t \text{ calculate} < t \text{ table}$ ($3.013 > 1.659$) with $p < 0.05$, then H1 is accepted. This means that Regional Expenditure affects the original regional income. In this study, Government Expenditure with the results of a positive coefficient value can be interpreted that the more government expenditure, the more the increase in local original income.

Wagner (2018) has put forward the theory that if government spending increases, relatively per capita income will also increase. Supported by Peacock and Wiseman's theory that the government has a role as a catalyst and facilitator so that it requires a budget to carry out development. The budget issued is used for development administration and development activities. The greater government spending used for development activities, the more it will encourage the increase in people's economic

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activities. If the community's economic activities increase, it will also increase the original income stream of the region.

This assumes that the government's policy in improving public welfare through improving public services by carrying out infrastructure development in the public facilities sector such as in the health sector, trade / market places, tourist attractions, and building BUMDs that can optimize the use of existing natural resources and thus increase the amount of levy which is one of the components in the original source of regional income.

Kurniawan et al., (2017) who stated that the development of infrastructure and infrastructure in the regions will have an impact on regional original income and increase regional original income. If the facilities and infrastructure owned by the region are adequate, the community can carry out their daily activities safely and comfortably which will affect the original income of the region with an increasing level of productivity, and with adequate infrastructure will attract investors to open businesses in the area. With the increase in development spending, it will have an impact on local income, which increases community productivity and thus increases regional original income.

The results of this variable research are supported by Kurniawan et al., (2017) who stated that government spending has a positive and significant effect on local income. This research is in line with the research of Susanti et al., (2017) and Officer et al., (2018) which states that government spending has a positive and significant effect on local revenues.

Effect of Investment on local income

Investment Variables statistically have no effect on the original income of the region. From the regression results obtained the value of t count = 1.501 with $p = 0.136$, while the magnitude of the value of t table The original income of the region with a significance level of 5% was 1.659 Because t count < t table ($1.501 < 1.659$) with $p > 0.05$, then H_2 was rejected. This means that investment does not affect the original income of the region.

Investment has not had an effect on the original income of the region. This can be proven by pmdn investment data of Central Java Province is not comparable to the growth of local income in regencies/cities in Central Java Province. PMDN investment in Central Java Province fluctuates from year to year, while local income continues to increase every year. The existing investment in Central Java Province is an investment in the original income of the capital area, especially in the transportation, warehouse and telecommunications sectors so that it contributes a little to the original regional income in Central Java Province. Lack of investment in production means can slow economic growth. This happens because currently the existing production factors have not been fully utilized.

Wadjaudje et al., (2018) Explaining that in SAP investments in indirect assets generate income. Government investment in fixed assets is not the same as investments made by business entities, where the economic benefits of government investment in fixed assets will not be directly enjoyed by the government in the form of investment returns but sometimes can be in the form of increased economic growth so that it will indirectly increase potential tax revenues in the future.

The results of this study are in accordance with the research of Kurniawan, et al., (2017) who argue that investment does not have a significant effect on local income. This

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research is in line with research conducted by Wadjaudje et al., (2018) which states that investment does not have a significant effect on local original income.

Effect of Population on local income

The Population Variable has no statistically effect on the original income of the region. From the regression results obtained the value of t count = 1.108 with $p = 0.271$, While the magnitude of the value t of the table The original income of the region of significance level of 5% is 1.659 Because t calculate < t table ($1.108 < 1.659$) with $p > 0.05$, then H2 is rejected. This means that the Population does not affect the original income of the region.

In this case a large population will be a burden if the structure, distribution and quality are such that it only demands social services and the level of production is low so that it becomes the responsibility of the population who work effectively. In addition, the cause is a relatively larger number of people of productive age, but the elements in it are not the category of the labor force, such as students, students, housewives and the category of the labor force, but unemployment and there are some unproductive populations.

The number of residents has not affected the original regional income in the regencies/cities in Central Java Province, one of the causes is that the number of people in Central Java Province is still mostly working in the agricultural sector.

The number of people who still depend on the original income of the agricultural sector or the large number of people whose livelihoods are farming, where the agricultural sector has a small contribution to the original income of the region. This research supported by Batik (2013) there is no significant influence between the number of residents on the original income of the region. This study is in line with that conducted by another researcher Juliasnsyah (2018) stated that the variable number of residents did not have a significant effect on the original income of the region.

IMPLICATIONS

The variable Regional Expenditure statistically affects the original regional income with a positive coefficient value can be interpreted that the more government expenditure, the more the increase in local original income. Investment Variables statistically have no effect on the original income of the region. From. Investment has not had an influence on the original income of the region. This can be proven by pmdn investment data of Central Java Province is not comparable to the growth of local income in regencies/cities in Central Java Province. The Population Variable has no statistically effect on the original income of the region. In this case a large population will be a burden if the structure, distribution and quality are such that it only demands social services and the level of production is low so that it becomes the responsibility of the population who work effectively. In addition, the cause is a relatively larger number of people of productive age, but the elements in it are not the category of the labor force, such as students, students, housewives and the category of the labor force, but unemployment and there are some unproductive populations.

CONCLUSION

Based on the results of the analysis that has been carried out, the following conclusions can be drawn: Regional expenditures statistically affect local revenues From the regression results obtained the value of t count = 3.013 with $p = 0.000$. While the

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magnitude of the table t value at a significance level of 5% is 1.659 Since t calculate the table $< t$ ($3.013 > 1.659$) with $p < 0.05$, then H1 is accepted. This means that Regional Expenditure affects local revenues. Investment has no statistically effect on the original income of the region. From the regression results obtained the value of t count = 1.501 with $p = 0.136$, while the magnitude of the t value of the original income table of the region of significance level of 5% is 1.659 Because t calculate $< t$ table ($1.501 < 1.659$) with $p > 0.05$, then H2 is rejected. This means that investment has no effect on the original income of the region. Population Numbers statistically have no effect on the original income of the region. From the regression results obtained the value of t count = 1.108 with $p = 0.271$, while the magnitude of the t value of the original income table of the area of significance level of 5% is 1.659 Because t count $< t$ table ($1.108 < 1.659$) with $p > 0.05$, then H2 is rejected. This means that the Population has no effect on the original income of the region.

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