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**Submission date:** 21-Apr-2022 01:53PM (UTC+0700)

**Submission ID:** 1816163346

**File name:** 11.\_Comparasion\_of\_People\_Welfare\_and\_Financial\_Performance.pdf (120.29K)

**Word count:** 3629

**Character count:** 18866

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## Comparation of People Welfare and Financial Performance Between City Governments and Districts In Java

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**ABSTRACT :** In 2019, Indonesia succeeded in making history in national development because the human development index was in the high category. This certainly shows the success of the government which is supported by all Indonesian people in building a country with the fourth largest population in the world. However, that does not mean that there are no more problems in human development in Indonesia. One of the problems that is still faced is the gap in the level of health between urban areas and rural areas. This gap is evidenced by the fact that districts or cities with a human development index fall into the very high category in Java, with 13 regions consisting of 11 cities and only 2 regencies. This is certainly evidence that illustrates how there has been a gap between urban and rural communities considering that in Java there are 113 regions consisting of 84 districts and 29 cities. Several previous studies have found that the human development index is influenced by the level of financial independence. This study aims to test whether there is a significant difference in people's welfare as measured by the human development index and regional financial performance using three parameters, namely the amount of local revenue, the contribution of local revenue to regional income and the contribution of local revenue to indirect spending. The sample in this study is all regencies and cities in Java, except for districts and cities in the Special Capital Region of Jakarta whose autonomy is only in the provincial government. This study uses secondary data obtained from the Central Statistics Agency in the form of published reports. This study finds that the people's welfare and regional financial performance between district and city are statistically different.

**KEYWORDS :** District Government, City Government, People's Welfare, Financial Performance

### I. INTRODUCTION

In 2019, for the first time, Indonesia was included in the ranks of countries with a high human development index (HDI) category and was ranked 111th out of 189 countries. Indonesia's position among ASEAN member countries is below Singapore, Brunei Darussalam, Malaysia, Thailand and the Philippines. There are three factors that drive the increase in the human development index in Indonesia, namely health, education and the economy. For these three factors, Indonesia continues to progress from year to year. Human development in Indonesia continues to progress. In 2019, Indonesia's Human Development Index (HDI) will reach 71.92. This figure increased 0.53 points or grew 0.74 percent compared to 2018. Babies born in 2019 have a hope of being able to live up to 71.34 years, 0.14 years longer than those born the previous year. It is hoped that 7 years old children in 2019 will be able to enjoy 12.95 years of education (almost equivalent to the education period for completing the Diploma I level), 0.04 years longer than the same age in 2018. Age Population 25 years and over an average of 8.34 years of education (almost equivalent to completing grade IX), 0.17 years longer than the previous year. In 2019, the Indonesian people meet their daily needs with an average per capita expenditure (PPP) of 11.30 million rupiah per year, an increase of 240 thousand rupiah compared to the previous year's expenditure.

The problems faced by the Indonesian people have not been resolved with these achievements. This fact should create a pumping spirit to move forward and work hard and work smartly so that the welfare of society in the future will increase. One of the problems facing Indonesia today is the gap where there is still a gap between the central government, provincial governments and district / city governments. In addition, there is also a gap between regions such as the western part of Indonesia which is more prosperous than the eastern part of Indonesia or the gap between urban communities who are more prosperous than rural communities.

The policy currently being pursued by the government which prioritizes the 3 T areas, namely the Underdeveloped, Outermost and Frontier, has shown results where the gap between regions has decreased. The

one-price BBM program has an impact on increasing people's purchasing power due to lower fuel prices and other commodity prices due to lower transportation costs. The Sea Toll Program also has a significant impact on isolated communities so that open routes can be opened or entered into other areas so that traffic of goods needs to be smoother and more secure. Finally, the social safety net program that has been running so far has been continued and improved so that the economically weak or low-income people can enjoy various programs provided by the government. These programs include: Direct Cash Assistance, Smart Indonesia Card Program, Healthy Indonesia Card, Family Hope Program, village fund program which is continuously improved every year. This is of course expected to improve the welfare of society at large so that the aspirations of building a just and prosperous society can be realized.

## II. RESEARCH METHODS

The population in this study is the regional governments of regencies and cities in Java, except for districts and cities in the Special Capital Region of Jakarta because autonomy rests with the provincial government. The number of caputaen and cities in this study were 113 consisting of 89 districts and 29 cities from the provinces of Banten, West Java, Central Java, East Java and Yogyakarta Special Region. The human development index uses 2016 to 2019, while the regional financial performance uses 2016 to 2018 data. The data used is in the form of secondary data obtained from the publication of the Central Statistics Agency. The data analysis method in this research is descriptive.

## III. RESULTS AND DISCUSSION

### 3.1. Comparison of Human Development Index

The human development index in regencies in Java in the last four years from 2016 to 2019 has increased on average from year to year. In 2016 to 2018, on average, it is still classified as medium because the total value of the human development index is 68.36 in 2016, 68.86 in 2017 and 69.50 in 2018. In 2019 the average index human development in all districts in Java increased in the high classification with the human development index figure of 70.18. However, during that period, namely the Sampang district in East Java in 2016 and 2017 the human development index was still classified as low at 59.09 and 59.90. In another district, namely Sleman district in the Special Region of Yogyakarta province from 2016 to 2019, the human development index is always in the very high category because the value is always above 80. In 2019 there are 2 districts that have increased in class from high to very high, namely Bantul district. in the province of the Yogyakarta Special Region and Sidoarjo district in the province of East Java. So in 2019 there are 3 districts out of 84 districts in Java whose human development index is in the very high category with a number above 80.

Achievement of development programs with a higher human development index benchmark can be achieved in urban areas in Java. Of the 29 cities in Java in the four years from 2016 to 2019, the average human development index has increased from year to year. The human development index in urban areas in Java from 2016 to 2019 is in the high and very high category with an average value of 76.53 in 2016, 76.98 in 2017, 77.50 in 2018 and 78.87 in 2019. Of the 29 cities in Java in 2016, there were 9 cities whose human development index reached the very high category with a value above 80. The nine cities are spread across all provinces in Java, consisting of the city of Yogyakarta in the province of Yogyakarta Special Region, Surataba city, city Malang and Madiun city in East Java, Bandung city in West Java, Semarang city, Surakarta city and Salatiga city in Central Java, and South Tangerang city in Banten. In 2017 there was an increase in cities that increased their human development index, namely the city of Bekasi in West Java so that in 2017 there were 10 cities with a very high human development index. In 2018 and 2019 the number of cities with the human development index in the very high category became 11 cities with the addition of the city of Depok from West Java.

From the data on the attainment of the human development index in districts and cities in Java, it can be seen that there is a difference where in urban areas the human development index is higher than in rural areas. This difference can be explained by using three components in measuring the human development index, namely education, health, and per capita income. Health and education facilities available in urban areas and rural areas are certainly better in urban areas. The ratio of the number of schools compared to the total population of the school force in urban areas is better when compared to the ratio of the number of schools to the total population of school forces in rural areas. Likewise, health facilities in urban areas are better than those in rural areas. In addition to the availability of more comprehensive and closer education and health facilities, in general the per capitas income of urban residents is also higher than the average population living in rural areas.

This comparison of the level of community welfare between urban communities and rural communities does not only occur in Indonesia but in almost all countries, so that as a solution to improve the welfare of many people living in rural areas move to urban areas (urbanization). In the long run, the development of countries around the world will bring about changes where the area of rural areas is decreasing over time, on the other hand, urban areas will always develop. In the end, successful development will be able to provide facilities and infrastructure for education and health as well as job opportunities that are capable of making the whole population prosperous.

### 3.2. Comparison of Financial Performance

The following is a comparison of the financial performance of local governments between district governments and municipalities in Java using data on the realization of the 2016 to 2018 regional revenue and expenditure budgets. The performance measures in this study consist of two measures: first is to measure the level of regional fiscal independence using the ratio of original income area divided by total regional revenue. The larger the portion of the region's own revenue in forming regional income means that the region is more independent, but if the proportion of regional income to total regional income is small it means that the level of regional independence is low. There are four categories of the level of regional fiscal independence, namely: 1. Very Low, if the contribution of regional revenue to total regional revenue is less than 25%; 2. Low, if the contribution of local revenue to total regional revenue is 25% to less than 50%; 3. Medium, if the contribution of local revenue to total regional revenue reaches 50% to less than 75%; 4. High, if the contribution of local revenue to total regional revenue is 75% or more.

The second is the financial performance of regional governments in financing routine expenditures which are in the realization of the regional income and expenditure budgets listed in indirect expenditure. Indirect expenditure consists of personnel expenditure which is the largest component in indirect expenditure. Apart from personnel expenditures, indirect expenditure can also be budgeted for interest spending, subsidy spending, grant spending, production sharing spending, social assistance spending, and unexpected spending. The ratio used to measure the financial capacity of the district or city government is the ratio of local revenue to indirect expenditure. The greater the ratio of own-source revenue to indirect expenditure, it indicates that these districts and cities have the greater the ability to finance routine expenditures, which means that they are more independent and less dependent on funding assistance from the central government or from the provincial government. On the other hand, a region with a small ratio of local revenue to indirect expenditure means a low level of independence and is highly dependent on funding from transfers from both the central and provincial governments.

The financial performance of district governments in Java from 2016 to 2018 shows that the level of regional fiscal independence is very low on average, with the ratio of local revenue to total regional revenue on average less than 25%, which is only 15.26% in 2016, 18,78% in 2017 and 16.15% in 2018. Of all the 84 districts Tangerang district is the region that has the highest fiscal independence, which in 2017 and 2018 contributed more than 50% to total regional revenue. In addition to Tangerang district, there are 6 regencies whose contribution to local revenue is more than 25% so that they fall into the category of low fiscal independence, namely Kerawang Regency, Bekasi Regency and Bogor Regency from West Java Province, Gresik Regency and Sidoarjo Regency from East Java Province and Sleman Regency from the Province Yogyakarta Special Region.

The financial capacity of districts in Java in meeting their routine expenditure needs, namely indirect expenditure, is also classified as low because the average is less than 50%. On average, the ratio of local district revenue in Java to indirect expenditure in 2016 was 24.88%, in 2017 it was 32.98% and in 2018 it was 28.24%. The regency has returned to being the district with the strongest ability to finance indirect expenditure among other districts in Java with the ratio of original regional income to indirect expenditure in 2016 of 121.98%, 2017 of 156.15% and in 2018 of 130.65%. Several districts have a ratio of local revenue to indirect expenditure of more than 50% including Bogor district, Kerawang district, Bekasi district in West Java, Gresik district and Sidoarjo district in East Java and Selam district in the Yogyakarta Special Region.

In contrast to the financial performance of the district government which still heavily relies on transfer funds from the central and provincial governments, the level of fiscal independence of the city governments in Java is more independent. On average, in the three years from 2016 to 2018, the contribution of local revenue to total regional revenue was at the level of 27.98% for 2016, 31.58% for 2017 and 29.36% for 2018. Although on average -The average fiscal independence of the city government is still in the low category, but the level of independence is still higher when compared to the level of fiscal independence of the district government. There are two cities in Java that have a moderate level of fiscal independence, namely the city of Surabaya from East Java and the city of South Tangerang from Banten. Both cities have a contribution of local revenue to total regional revenue of more than 50%.

Similar to the financial performance which measures the level of fiscal independence, city governments in Java have a higher level of independence in financing indirect expenditures. On average, in the three years from 2016 to 2018, the ratio of own-source revenue to indirect expenditure was above 50%. Consecutively from 2016 to 2018, the contribution of original regional income to indirect expenditure was 59.08%, 77.94% and 70.45%. The city of Surabaya is the city with the highest level of independence in financing indirect expenditure with a ratio of 147.36% in 2016, 205.72% in 2017 and 254.18%. Second is the city of South Tangerang with a ratio of 129.70% in 2016, 164.32% in 2017 and 125.76% in 2018. The third place in the ability to finance indirect expenditure is the city of Semarang, which has a ratio of local revenue to indirect expenditure of 85.64% in 2016, 116.62% in 2017 and 111.73% in 2019.

The higher financial performance of city governments than district governments can be explained from the source of district and city revenue which consists of local taxes, local user fees, profits from local companies and other local revenue. Maryono et. Al (2016) found that the largest contribution to district and municipal revenue in 2010 to 2013 came from local taxes. Local taxes in accordance with Law number 28 of 2009 concerning regional taxes and local levies state that local taxes for districts and cities include: land and building tax, land and building rights fees, street lighting tax, hotel tax, restaurant tax, entertainment tax, groundwater tax and swallow's nest tax. Of all the types of taxes that are received by regency and municipal governments the most are those originating from land and building taxes, land and building rights fees, street lighting taxes, tourism taxes which include hotel taxes, restaurant taxes and entertainment taxes.

From these types of local taxes, it is assumed that the city government has a higher potential income from local taxes than the district government. This is because the large amount of land and building tax, the amount of which is based on the sale value of the tax object, will result in a higher potential for land and building tax in urban areas because the selling value of land and buildings is also higher than land and buildings in rural areas. The potential for receiving duties on land and building rights in the city government is also higher than that of the district government because the mobilization of urban residents is higher than that of rural residents so that the sale and purchase of land and buildings in urban areas is higher so that the city government revenue will also be high. The potential for street lighting tax revenue from city governments is also higher than district governments because the level of electricity use for both households and offices and the business sector in urban areas is more. Finally, the tourism sector regional tax which consists of hotel tax, restaurant tax and entertainment tax will certainly also benefit the city government because the existence of hotels, restaurants and entertainment places that are taxed is more in cities, especially big cities than in regency cities.

#### IV. CONCLUSION

From the above explanation, the following conclusions can be drawn:

1. There is a difference in the human development index of district governments with city governments in Java, which places city governments as having a higher human development index than district governments. .
2. There is a difference in financial performance between district governments and city governments as measured by the ratio of local revenue to total regional revenue and places city governments on average having a higher level of fiscal independence than district governments.
3. The ability of city governments is higher than that of district governments in meeting indirect expenditures with the ratio of local revenue to indirect expenditure.

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