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Effects of Regional Government Financial Performance on Economic Growth, Unemployment, Poverty, and Human Development Index

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ABSTRACT

Good regional financial management can encourage economic growth in the area. A good quality of economic growth can improve the welfare of the community followed by a reduction in unemployment and poverty rates. This study aims to determine the effect of local government financial performance on economic growth, unemployment, poverty, and the Human Development Index. This study is to empirically prove that economic growth, unemployment, poverty, and the Human Development Index of districts in Central Java Province. The quality of economic growth affects the welfare of the community. Economic growth is usually followed by poverty reduction, an increase in the Human Development Index (HDI), and expansion of employment.The test tool used in this study was a simple regression analysis using the SPSS program. Data was obtained from the financial statements of the Regional Government and the Central Statistics Agency (BPS) to scientifically examine the effect of financial performance on economic growth, unemployment, poverty, and the Human Development Index. The results of this study indicate that independence, efficiency, effectiveness, operating expenditure, capital expenditure, growth, and dependence have no effect on the Human Development Index. While the degree of decentralization affects the Human Development Index. Independence, efficiency, effectiveness, dependency growth, and the degree of decentralization have no effect on poverty. Whereas operating expenditure and capital expenditure have an effect on poverty. Independence, effectiveness, capital expenditure, growth, dependency, and the degree of decentralization have no effect on unemployment. Whereas efficiency and operating expenditure affect unemployment. Independence, efficiency, effectiveness, operating expenditure, capital expenditure, growth, dependency, and the degree of decentralization have no effect on Economic Growth.

INTRODUCTION

Regional financial management that is carried out effectively, efficiently, and economically or meets the principles of value for money and participation, transparency, accountability, and justice can encourage economic growth that will affect the welfare of the community. Regional financial management not only requires human resources, but also economic resources. Good governance structures are expected to protect and serve the needs of the community. Indicators of success in government do not only look at financial success, but the quality of service and efficiency of the use of available funds.

The quality of economic growth affects the welfare of the community. Economic growth is usually followed by poverty reduction, an increase in the Human Development Index (HDI), and expansion of employment. Human development is a development model that aims to expand opportunities so that people can live properly. These goals will be achieved if everyone has the opportunity to live healthy, educated, and skilled and have an income.

Achieving high economic growth and decreasing unemployment and poverty are inseparable from good regional financial management. Human development is said to be successful if problems that arise and are fundamental can be overcome, including the problems of poverty, illiteracy, and food security [1].

Economic growth shows the extent to which economic activity is able to generate additional community income in a given period. With an economy that continues to grow, employment opportunities, poverty reduction, improved nutrition, and health, including education, will get better [2].

In its contribution to GDP (Gross Domestic Product), Java Island is the biggest contributor when compared to other islands with the details of the provinces contributing the most is Jakarta at 17.81%, East Java at 15.41%, West Java at 14.49 % and Central Java 8.42%. Central Java Province has a contribution to the national GDP which is still low compared to other provinces in Java[3].

There are 15 districts in Central Java included in the poverty red zone, namely Wonosobo, Kebumen, Brebes, Purbalingga, Rembang, Pemalang, Banjarnegara, Banyumas, Klaten, Sragen, Cilacap, Demak, Purworejo, Grobogan, and Demak. Data from the Central Statistics Agency (BPS) of Central Java Province shows that in March 2014 the poverty rate in Central Java was 4.83 million. In September 2014, the poverty rate fell to 13.58% to 4.56 million. In March 2015, the percentage of poverty remained at 13.58%. However, that number declined again in September 2015 to 13.33% or 4.5 million people. The percentage of poverty also decreased in

March 2016 to 13.27%. The poverty rate decreased again in September 2016 to 13.19% or to 4.49 million people[4].

There are 1.7 million unemployed people in Central Java with an age range of 16-30 years who are unemployed and are awaiting job certainty[5]. The high unemployment rate in Central Java Province is due to the limited availability of jobs and the lack of financial access assistance for business capital [6].

Based on the phenomenon, researchers are interested in examining more deeply and conducting research with the title Effect of Financial Performance of Local Governments on Economic Growth, Unemployment, Poverty, and Human Development Index with case studies of districts in Central Java Province.

Financial reporting and performance of government agencies that is a form of accountability for the management of state / regional finances for a period. Financial statements are structured reports about the financial position and transactions carried out by a reporting entity. The general purpose of financial statements is to present information about the financial position, budget realization, cash flow, and financial performance of a reporting entity that is useful for users in making and evaluating decisions regarding resource allocation. Specifically, the purpose of government financial reporting is to present information that is useful for decision making and to demonstrate the accountability of the reporting entity for the resources entrusted to it[7].

Regional finance has a very important meaning in the implementation of government and community service development activities in an area. Therefore, local finance is strived to run efficiently and effectively. Regional financial performance is measuring the financial performance of local governments in implementing policies that have been made by the central government in accordance with statutory regulations.

Public sector performance is multidimensional, so there is no single indicator that can be used to show comprehensive performance. The assessment of financial performance reports is measured based on the budget that has been made. The assessment is carried out by analyzing the variance (difference) between actual and budgeted performance.

Economic growth is the basis for sustainable development. Economic growth is the ability of a region to provide the needs for goods and services to the community in large quantities so as to allow for an increase in living standards. Economic growth can also be interpreted as an increase in economic activity in an area that will have an impact on the level of prosperity and independence of the region. This growth will occur if all stakeholders (government) in the regions

work together to improve the quality of economic activities such as increased investment [8].

In addition, the government can improve the welfare of the community by increasing economic growth, by prioritizing infrastructure improvements, improving education, health services, building facilities that can encourage both foreign and local investment, providing low-cost housing, conducting environmental restoration and strengthening in the agricultural sector.

In terms of standards that have been determined internationally, what is meant by unemployment is someone who has been classified in the workforce who are actively looking for work at a certain wage level, but can not get the job he wants.

Unemployment is divided into three types based on the conditions that cause it, i.e.:

a. Frictional unemployment, which is unemployment caused by the action of a worker to leave his work and look for work better or in accordance with his wishes.
b. Structural unemployment, which is unemployment caused by structural changes in the economy.
c. Conjuncture unemployment, which is unemployment caused by natural excess unemployment and applies as a result of a reduction in aggregate demand.

The forms of unemployment are:

a. Open unemployment is those who are able and are often very eager to work but there are no suitable jobs available for them.
b. Underemployment, are those who nominally work full but have low productivity so that the reduction in working hours has no meaning for overall production.
c. Weak laborers (impaired) are those who may work full but whose intensity is weak due to malnutrition or illness.
d. Unproductive workforce, are those who are able to work productively but cannot produce something good[9].

Poverty is a problem faced by all countries, especially in developing countries like Indonesia. This is because poverty is multidimensional which shows that human needs are diverse, so that poverty also has many primary aspects in the form of poverty in assets, socio-political organization, knowledge, and skills as well as secondary aspects in the form of poverty in social networks, financial resources , and information.

These poverty dimensions are manifested in the form of malnutrition, water, healthy housing, poor health care, and low levels of education. In addition, the dimensions of poverty are interrelated both directly and indirectly. This means that progress or setback in one aspect can affect the progress or setback in other aspects. Another aspect of poverty is that

the poor are individuals both individually and collectively.

The poverty line is a measure that states the amount of expenditure to meet basic minimum food needs and non-food needs or standards that state a person's limit is said to be poor when viewed from the perspective of consumption. The poverty lines that are used by each country are different, so there is no one poverty line that is generally accepted because of differences in location and standard of living needs. Poverty standards can also be seen based on income per capita, ie residents whose per capita income is less than one third of the average national income per capita.

Human development indicators are one measure that can be used to assess the quality of human development, both in terms of their impact on the physical condition of humans (health and well-being) and those that are non-physical (intellectual).. Development that affects the physical condition of the community is reflected in life expectancy and purchasing power, while the non-physical impact is seen in the quality of public education. Human Development Index (HDI) is a strategic indicator that is widely used to see the efforts and performance of overall development programs in an area.

Human Development Index (HDI) is a measure to see the impact of regional development performance which has a very broad dimension because it shows the quality of the population of an area in terms of life expectancy, intellect and decent standard of living. In the implementation of development planning, HDI also functions in providing guidance in determining priorities for policy formulation and development program development. This is also a guide in allocating the budget in accordance with general policies that have been determined by policy makers and decision makers. The HDI is a composite index calculated as a simple average of three indices that illustrates basic human abilities in expanding choices, namely: Life Expectancy Index, Education Index, Decent Living Standard Index.

The hypothesis in this research is:

H1 : Financial Performance has a positive effect on Economic Growth

H2 : Financial Performance has a positive effect on Unemployment

H3 : Financial Performance has a positive effect on Poverty

H4 : Financial Performance has a positive effect on the Development Index Human

RESEARCH METHODS

Research Variables

a. The dependent variable, namely economic growth, unemployment, poverty, and the Human Development Index..

b. The independent variable, namely financial performance.

Definition of Variable Operations

a. Economic Growth

Economic growth is the ability of regencies in Central Java Province to provide a large number of needs for goods and services to the community so that it is possible to increase the standard of living of people in Central Java Province and regional independence in Central Java Province in 2015, 2016 and 2017.

b. Unemployment

Unemployment is a resident of the Regency in Central Java Province who has entered the labor force but does not have a job and is looking for work, preparing a business, and already has a job but has not started working in 2015, 2016, and 2017.

c. Poverty

Poverty is the inability of the Regency community in Central Java Province in terms of the economy to meet basic food needs (basic needs). Poor population is a resident of the regency in Central Java Province who has an average per capita income per month below the poverty line in 2015, 2016, and 2017.

d. Human Development Index

The Human Development Index is a measure to see the impact of district development performance in the Central Java Province which shows the quality of the population of the regency in Central Java Province about life expectancy, intelligence and decent standard of living in 2015, 2016, and 2017.

e. Financial Performance

Financial Performance is a performance measure that uses financial indicators of District Government in Central Java Province in 2015, 2016, and 2017.

Population and Sample

The population and sample in this research were 35 regencies in Central Java Province.

Research Model

Research model to examine the relationship of financial performance with economic growth, unemployment, poverty, and the Human Development Index.

Data Analysis Method

The analytical method used is a simple linear regression analysis, which aims to obtain a comprehensive picture of the relationship between the independent variable and the dependent variable partially or simultaneously[10].

Regression equation model:

$Y_1 = a + b.X + e$

$Y_2 = a + b.X + e$

$Y_3 = a + b.X + e$

$Y_4 = a + b.X + e$

Note:

X = Financial performance

a = a constant

Y_1 = Economic growth

Y_2 = Unemployment

Y_3 = Poverty

Y_4 = Human Development Index

e = regression error

RESEARCH RESULTS AND DISCUSSION

1. Human Development Index (Y1)

Descriptive Analysis

Descriptive Statistics

	Mean	Std. Deviation	N
Y1	70,6270	4,50480	105
X2	,4987	,73551	105
X3	1,0185	,09215	105
X4	1,2849	,24107	105
X5	,6842	,09022	105
X6	,1888	,05218	105
X7	,1030	,12401	105
X8	,6605	,27081	105
X9	,1682	,06008	105

From the table above it can be seen that the variable Human Development Index (Y1) with a total data (N) of 105 has an average value of 70.63 and a standard deviation (level of data distribution) of 4.50.

The independence ratio variable (X2) with the total data (N) of 105 has an average value of 0.50 and the standard deviation (the level of data distribution) is 0.74.

The efficiency ratio variable (X3) with the total data (N) of 105 has an average value of 1.02 and a standard deviation (level of data distribution) of 0.92.

Variable effectiveness ratio (X4) with total data (N) of 105 has an average value of 1.28 and standard deviation (level of data distribution) of 0.24.

Operating expenditure ratio variable (X5) with total data (N) of 105 has an average value of 0.68 and standard deviation (level of data distribution) of 0.09.

Variable capital expenditure ratio (X6) with total data (N) of 105 has an average value of 0.19 and standard deviation (level of data distribution) of 0.05.

Growth ratio variable (X7) with total data (N) of 105 has an average value of 0.10 and standard deviation (level of data distribution) of 0.12.

Dependency ratio variable (X8) with total data (N) of 105 has an average value of 0.66 and standard deviation (level of data distribution) of 0.27.

Variable degree of decentralization ratio (X9) with total data (N) of 105 has an average value of 0.17 and standard deviation (level of data distribution) of 0.60.

Classic Assumption Test Results

Normality test

		Unstandardized Residual
N		105
Normal Parameters[a,b]	Mean	,0000000
	Std. Deviation	2,94322019
Most Extreme Differences	Absolute	,066
	Positive	,066
	Negative	-,029
Test Statistic		,066
Asymp. Sig. (2-tailed)		,200[c,d]

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

Multicollinearity Test

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	X2	,228	4,391
	X3	,512	1,954
	X4	,464	2,157
	X5	,342	2,922
	X6	,657	1,522
	X7	,490	2,041
	X8	,234	4,282
	X9	,452	2,213

t Test

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	54,909	8,599		6,385	,000
X2	,283	,856	,046	,330	,742
X3	-,482	4,557	-,010	-,106	,916
X4	1,767	1,830	,095	,966	,337
X5	4,384	5,691	,088	,770	,443
X6	1,928	7,103	,022	,271	,787
X7	-1,844	3,460	-,051	-,533	,595
X8	2,140	2,295	,129	,932	,354
X9	54,770	7,437	,730	7,364	,000

Independence variable (X2) does not affect the Human Development Index, the hypothesis is rejected, because the value of Sig. Independence variable 0.742> probability α = 5% (0.05) where the criterion influences sig. must be less than a probability of 0.05. The efficiency variable (X3) has no effect on the Human Development Index, so the hypothesis is rejected, because the Sig. Efficiency variable 0.916> probability α = 5% (0.05) where the criterion influences sig. must be less than a probability of 0.05. The effectiveness variable (X4) has no effect on the Human Development Index, so the hypothesis is rejected, because the Sig. Effectiveness variable 0.337> probability α = 5% (0.05) where the criterion influences sig. must be less than a probability of 0.05. Operating expenditure variable (X5) does not affect the Human Development Index, the hypothesis is rejected, because the value of Sig. Operating expenditure variable 0.443> probability α = 5% (0.05) where the criteria affect sig. must be less than a probability of 0.05.

Capital expenditure variable (X6) does not affect the Human Development Index, the hypothesis is rejected, because the value of Sig. Capital expenditure variable 0.787> probability α = 5% (0.05) where the criteria influence sig. must be less than a probability of 0.05. Growth Variable (X7) has no effect on the Human Development Index, so the hypothesis is rejected, because the Sig. Growth Variable 0.595> probability α = 5% (0.05) where the criterion influences sig. must be less than a probability of 0.05. Dependency variable (X8) does not affect the Human Development Index, the hypothesis is rejected, because the value of Sig. Dependence variable 0.354> probability α = 5% (0.05) where the criteria affect sig. must be less than a probability of 0.05. While the variable degree of decentralization (X9) has an influence on the Human Development Index, the hypothesis is accepted, because the value of Sig. Variable degree of decentralization

0,000 <probability α = 5% (0.05) where the results are the same as the influential criteria, sig. less than probability 0.05.

2. Poverty (Y2)

Descriptive Analysis

Descriptive Statistics

	N	Mean	Std. Deviation
Y2	105	12.6797	.14799
X2	105	.4987	.73551
X3	105	1.0185	.09215
X4	105	1.2849	.24107
X5	105	.6842	.09022
X6	105	.1888	.05218
X7	105	.1030	.12401
X8	105	.6605	.27081
X9	105	.1682	.06008
Valid N (listwise)	105		

From the table above it can be seen that the Poverty variable (Y2) with a total data (N) of 105 has an average value of 12.68 and a standard deviation (level of data distribution) of 0.15.

Variable independence ratio (X2) with total data (N) of 105 has an average value of 0.50 and standard deviation (level of data distribution) of 0.74.

The efficiency ratio variable (X3) with the total data (N) of 105 has an average value of 1.02 and a standard deviation (level of data distribution) of 0.92.

Variable effectiveness ratio (X4) with total data (N) of 105 has an average value of 1.28 and standard deviation (level of data distribution) of 0.24.

Operating expenditure ratio variable (X5) with total data (N) of 105 has an average value of 0.68 and standard deviation (level of data distribution) of 0.09.

Variable capital expenditure ratio (X6) with total data (N) of 105 has an average value of 0.19 and standard deviation (level of data distribution) of 0.05.

Growth ratio variable (X7) with total data (N) of 105 has an average value of 0.10 and standard deviation (level of data distribution) of 0.12.

Dependency ratio variable (X8) with total data (N) of 105 has an average value of 0.66 and standard deviation (level of data distribution) of 0.27.

Variable degree of decentralization ratio (X9) with total data (N) of 105 has an average value of 0.17 and standard deviation (level of data distribution) of 0.60.

Classic Assumption Test Results

Normality test

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		105
Normal Parameters[a,b]	Mean	,0000000
	Std. Deviation	,12468675
Most Extreme Differences	Absolute	,076
	Positive	,032
	Negative	-,076
Test Statistic		,076
Asymp. Sig. (2-tailed)		,161[c]

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

Multicollinearity Test

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	X2	,232	4,317
	X3	,519	1,927
	X4	,477	2,098
	X5	,429	2,332
	X6	,797	1,255
	X7	,508	1,968
	X8	,231	4,333
	X9	,907	1,102

t Test

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	12,103	,357		33,945	,000
X2	,019	,036	,093	,518	,605
X3	,206	,192	,128	1,075	,285
X4	-,048	,076	-,078	-,626	,533
X5	,584	,215	,356	2,712	,008
X6	,747	,273	,263	2,733	,007
X7	-,124	,144	-,104	-,858	,393
X8	-,125	,098	-,228	-1,274	,206
X9	-,086	,050	-,156	-1,728	,087

Independence variable (X2) does not affect poverty, the hypothesis is rejected, because the value of Sig. Independence variable 0.605> probability α = 5% (0.05) where the criterion influences sig. must be less than a probability of 0.05. The efficiency variable (X3) does not affect poverty, the hypothesis is rejected, because the value of Sig. Efficiency variable 0.285> probability α = 5% (0.05) where the criterion influences sig. must be less than a probability of 0.05. The effectiveness variable (X4) has no effect on poverty then the hypothesis is rejected, because the value of Sig. Effectiveness variable 0.533> probability α = 5% (0.05) where the criterion influences sig. must be less than a probability of 0.05. While the operating expenditure variable (X5) influences poverty, the hypothesis is accepted, because the value of Sig. Operating expenditure variable 0.008 <probability α = 5% (0.05) where results the same with the influential criteria sig. less than probability 0.05.

Capital expenditure variable (X6) influences poverty, the hypothesis is accepted, because the value of Sig. Operating expenditure variable 0.007 <probability α = 5% (0.05) where the results are the same as the influential criteria, sig. less than probability 0.05. While the Growth variable (X7) does not affect Poverty, the hypothesis is rejected, because the Sig. Growth Variable 0.393> probability α = 5% (0.05) where the criterion influences sig. must be less than a probability of 0.05.

Dependency variable (X8) has no effect on poverty then the hypothesis is rejected, because the value of Sig. Dependence variable 0.206> probability α = 5% (0.05) where the criterion influences sig. must be less than a probability of 0.05. Variable degree of decentralization (X9) has no effect on poverty then the hypothesis is rejected, because the value of Sig. Variable degree of decentralization 0.087>

probability α = 5% (0.05) where the criteria influence sig. must be less than a probability of 0.05.

3. Unemployment (Y3)

Descriptive Analysis

Descriptive Statistics

	Mean	Std. Deviation	N
Pengangguran	4,8081	1,85885	105
X2	,4987	,73551	105
X3	1,0185	,09215	105
X4	1,2849	,24107	105
X5	,6842	,09022	105
X6	,1888	,05218	105
X7	,1030	,12401	105
X8	,6605	,27081	105
X9	,1682	,06008	105

From the table above it can be seen that the Unemployment variable (Y3) with a total data (N) of 105 has an average value of 4.81 and a standard deviation (level of data distribution) of 1.86.

Variable independence ratio (X2) with total data (N) of 105 has an average value of 0.50 and standard deviation (level of data distribution) of 0.74.

The efficiency ratio variable (X3) with the total data (N) of 105 has an average value of 1.02 and a standard deviation (level of data distribution) of 0.92.

Variable effectiveness ratio (X4) with total data (N) of 105 has an average value of 1.28 and standard deviation (level of data distribution) of 0.24.

Operating expenditure ratio variable (X5) with total data (N) of 105 has an average value of 0.68 and standard deviation (level of data distribution) of 0.09.

Variable capital expenditure ratio (X6) with total data (N) of 105 has an average value of 0.19 and standard deviation (level of data distribution) of 0.05.

Growth ratio variable (X7) with total data (N) of 105 has an average value of 0.10 and standard deviation (level of data distribution) of 0.12.

Dependency ratio variable (X8) with total data (N) of 105 has an average value of 0.66 and standard deviation (level of data distribution) of 0.27.

Variable degree of decentralization ratio (X9) with total data (N) of 105 has an average value of 0.17 and standard deviation (level of data distribution) of 0.60.

Classic Assumption Test Results

Normality test

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		105
Normal Parameters[a,b]	Mean	,0000000
	Std. Deviation	1,69460715
Most Extreme Differences	Absolute	,045
	Positive	,045
	Negative	-,037
Test Statistic		,045
Asymp. Sig. (2-tailed)		,200[c,d]

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance.

e.

Multicollinearity Test

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	X2	,228	4,391
	X3	,512	1,954
	X4	,464	2,157
	X5	,342	2,922
	X6	,657	1,522
	X7	,490	2,041
	X8	,234	4,282
	X9	,452	2,213

t Test

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	-7,674	4,951		-1,550	,124
X2	,042	,493	,017	,085	,932
X3	5,709	2,624	,283	2,176	,032
X4	-,537	1,054	-,070	-,509	,612
X5	8,092	3,277	,393	2,469	,015
X6	6,475	4,090	,182	1,583	,117
X7	-1,186	1,992	-,079	-,595	,553
X8	,566	1,322	,083	,429	,669
X9	1,937	4,282	,063	,452	,652

Independence variable (X2) has no effect on unemployment, so the hypothesis is rejected, because the Sig. Independence variable 0.932> probability α = 5% (0.05) where the criterion influences sig. must be less than a probability of 0.05. While the efficiency variable (X3) influences unemployment, the hypothesis is accepted, because the value of Sig. Efficiency variable 0.032 <probability α = 5% (0.05) where the results are the same as the influential criteria, sig. less than probability 0.05.

The effectiveness variable (X4) has no effect on unemployment, the hypothesis is rejected, because the value of Sig. Effectiveness variable 0.612> probability α = 5% (0.05) where the criterion influences sig. must be less than a probability of 0.05. While the operating expenditure variable (X5) has an effect on unemployment, the hypothesis is accepted, because the value of Sig. Operating expenditure variable 0.015 <probability α = 5% (0.05) where the results are the same as the influential criteria, sig. less than probability 0.05. Capital expenditure variable (X6) does not affect Unemployment, the hypothesis is accepted, because the value of Sig. Capital expenditure variable 0.117> probability α = 5% (0.05) where the criteria influence sig. must be less than a probability of 0.05. Growth variable (X7) has no effect on unemployment, the hypothesis is rejected, because the value of Sig. Growth Variable 0.553> probability α = 5% (0.05) where the criteria influence sig. must be less than a probability of 0.05. Dependency variable (X8) has no effect on unemployment, the hypothesis is rejected, because the value of Sig. Dependency variable 0.669> probability α = 5% (0.05) where the criteria affect sig. must be less than a probability of 0.05. Variable degree of decentralization (X9) has no effect on Unemployment so the hypothesis is rejected, because the value of Sig.Variable

dependency is 0.652> probability α = 5% (0.05) where the criteria influence sig. must be less than a probability of 0.05.

4. Economic Growth (Y4)

Descriptive Analysis

Descriptive Statistics

	N	Mean	Std. Deviation
Y4	105	13.7714	.63669
X2	105	.4987	.73551
X3	105	1.0185	.09215
X4	105	1.2849	.24107
X5	105	.6842	.09022
X6	105	.1888	.05218
X7	105	.1030	.12401
X8	105	.6605	.27081
X9	105	.1682	.06008
Valid N (listwise)	105		

From the table above it can be seen that the variable Economic Growth (Y4) with a total data (N) of 105 has an average value of 13.77 and a standard deviation (level of data distribution) of 0.64.

Variable independence ratio (X2) with total data (N) of 105 has an average value of 0.50 and standard deviation (level of data distribution) of 0.74.

The efficiency ratio variable (X3) with the total data (N) of 105 has an average value of 1.02 and a standard deviation (level of data distribution) of 0.92.

Variable effectiveness ratio (X4) with total data (N) of 105 has an average value of 1.28 and standard deviation (level of data distribution) of 0.24.

Operating expenditure ratio variable (X5) with total data (N) of 105 has an average value of 0.68 and standard deviation (level of data distribution) of 0.09.

Variable capital expenditure ratio (X6) with total data (N) of 105 has an average value of 0.19 and standard deviation (level of data distribution) of 0.05.

Growth ratio variable (X7) with total data (N) of 105 has an average value of 0.10 and standard deviation (level of data distribution) of 0.12.

Dependency ratio variable (X8) with total data (N) of 105 has an average value of 0.66 and standard deviation (level of data distribution) of 0.27.

Variable degree of decentralization ratio (X9) with total data (N) of 105 has an average value of 0.17 and standard deviation (level of data distribution) of 0.60.

Classic Assumption Test Results

Normality test

One-Sample Kolmogorov-Smirnov Test

		Unstandardized Residual
N		105
Normal Parameters[a,b]	Mean	,0000000
	Std. Deviation	,62420179
Most Extreme Differences	Absolute	,074
	Positive	,069
	Negative	-,074
Test Statistic		,074
Asymp. Sig. (2-tailed)		,191[c]

a. Test distribution is Normal.

b. Calculated from data.

c. Lilliefors Significance Correction.

d. This is a lower bound of the true significance

Multicollinearity Test

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	X2	,232	4,317
	X3	,519	1,927
	X4	,477	2,098
	X5	,429	2,332
	X6	,797	1,255
	X7	,508	1,968
	X8	,231	4,333
	X9	,907	1,102

t Test

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
(Constant)	14,920	1,785		8,359	,000
X2	,112	,180	,130	,624	,534
X3	-,566	,960	-,082	-,590	,557
X4	-,085	,383	-,032	-,222	,825
X5	-1,239	1,078	-,176	-1,149	,253
X6	,560	1,368	,046	,409	,683
X7	-,109	,721	-,021	-,152	,880
X8	,439	,490	,187	,897	,372
X9	-,179	,248	-,076	-,721	,473

Independence variable (X2) does not affect Economic Growth so the hypothesis is rejected, because the value of Sig. Independence variable 0.534> probability α = 5% (0.05) where the criterion influences sig. must be less than a probability of 0.05. The efficiency variable (X3) does not affect Economic Growth so the hypothesis is rejected, because the value of Sig. Efficiency variable 0.557> probability α = 5% (0.05) where the criterion influences sig. must be less than a probability of 0.05. The effectiveness variable (X4) has no effect on Economic Growth, the hypothesis is rejected, because the value of Sig. Effectiveness variable 0.825> probability α = 5% (0.05) where the criterion influences sig. must be less than a probability of 0.05. Operating expenditure variable (X5) does not affect Economic Growth, the hypothesis is rejected, because the value of Sig. Operating expenditure variable 0.253> probability α = 5% (0.05) where the criteria affect sig. must be less than a probability of 0.05.

Capital expenditure variable (X6) does not affect Economic Growth, the hypothesis is rejected, because the value of Sig. Capital expenditure variable 0.683> probability α = 5% (0.05) where the criterion influences sig. must be less than a probability of 0.05. Growth Variable (X7) has no effect on Economic Growth, the hypothesis is rejected, because the value of Sig. Growth Variable 0.880> probability α = 5% (0.05) where the criterion influences sig. must be less than a probability of 0.05. Dependency variable (X8) does not affect Economic Growth, the hypothesis is rejected, because the value of Sig. Dependence variable 0.372> probability α = 5% (0.05) where the criterion influences sig. must be less than a probability of 0.05. Variable degree of decentralization (X9)

does not affect Economic Growth so the hypothesis is rejected, because the value of Sig. Variable degree of decentralization 0.473> probability α = 5% (0.05) where the criteria influence sig. must be less than a probability of 0.05.

Based on the results of the analysis:

Human Development Index (Y1)

Independence variable (X2) has no effect on HDI

The efficiency variable (X3) has no effect on HDI

The effectiveness variable (X4) has no effect on HDI

Operating expenditure variable (X5) has no effect on HDI

Capital expenditure variable (X6) has no effect on HDI

Growth Variable (X7) has no effect on HDI

Dependency variable (X8) has no effect on HDI

Variable degree of decentralization (X9) affects the HDI

Poverty (Y2)

Independence variable (X2) has no effect on poverty

The efficiency variable (X3) has no effect on poverty

The effectiveness variable (X4) has no effect on poverty

Operating expenditure variable (X5) influences poverty

Capital expenditure variable (X6) influences poverty

Growth Variable (X7) does not affect Poverty

Dependency variable (X8) has no effect on poverty

The variable degree of decentralization (X9) has no effect on poverty

Unemployment (Y3)

Independence variable (X2) has no effect on unemployment

The efficiency variable (X3) affects unemployment

The effectiveness variable (X4) has no effect on unemployment

Operating expenditure variable (X5) affects unemployment

The capital expenditure variable (X6) has no effect on unemployment

Growth Variable (X7) has no effect on Unemployment

Dependency variable (X8) has no effect on unemployment

The variable degree of decentralization (X9) has no effect on unemployment

Economic Growth (Y4)

Independence variable (X2) does not affect Economic Growth

The efficiency variable (X3) does not affect Economic Growth

Effectiveness variable (X4) does not affect Economic Growth

Operating expenditure variable (X5) does not affect Economic Growth

Capital expenditure variable (X6) does not affect Economic Growth

Growth Variable (X7) has no effect on Economic Growth

Dependency variable (X_8) does not affect Economic Growth

The variable degree of decentralization (X_9) has no effect on Economic Growth

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

1. Financial performance of regional governments based on 8 (eight) indicators shows there is no influence on economic growth. This proves that the government's efforts have not been optimal in improving the welfare of the community with priority infrastructure improvements, improving education, health services, building facilities that can encourage both foreign and local investment, providing low cost housing, environmental restoration and strengthening in the agricultural sector.
2. The financial performance of local governments shows an influence on poverty based on indicators of operating expenditure and capital expenditure. This proves that there are still residents with per capita income less than one third of the average national income per capita included in the poor category.
3. The financial performance of local governments shows that there is an influence on unemployment based on indicators of efficiency and operating expenditure. This proves that the utilization of regional expenditure and operating expenditure must be used to improve the welfare of the regional community.
4. Financial performance of local governments shows the influence of the Human Development Index (HDI) based on indicators of the degree of decentralization. This proves that regional income is used to improve the quality of the population of the regency in Central Java Province which is related to life expectancy, intellect and decent standard of living.

Recommendations

1. For Local Government

   Improved financial performance will affect the welfare of local communities so that it needs to be optimized in the realization of regional income and expenditure in order to meet the needs of the community and the welfare of the community.
2. For further researchers

   The researcher can then add other variables that are not included in this study.

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