

Research Article

The Effect of Budget Absorption on Social Welfare in the Province of Aceh, Indonesia

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Abstract: This study is aimed at examining the influence of budget absorption including regional expenditures and transfers either simultaneously or partially on the social welfare in Aceh Province. The unit of analysis in this study is the Aceh Provincial Government covering 23 districts / cities. Sources of data are derived by using secondary data in the form of Budget Realization Report of Regency / City Government in Aceh which has been audited by BPK (Supreme Audit Board) and HDI (Human Development Index) of Aceh Province published by Central Bureau of Statistics (BPS) of Aceh Province for the period of 2013-2015. The analysis method used is Multiple Linear Regression Analysis. The results show that the absorption rate of Provincial Revenue and Expenditure Budget (APBD) includes regional expenditures and transfers have a simultaneous and partial effect on the social welfare in Aceh Province.

Keywords: Fiscal Absorption, Regional Expenditures, Transfer, Social Welfare.

INTRODUCTION

The success indicators of regional autonomy and decentralization are normally reflected by the increasing of service and social welfare, the increasingly advanced democracy, equity fairness, and the harmonious relationship between central and regional as well as between regions (Kartiwa in Khuzaironi, 2015). These conditions usually can be achieved, one of which if the financial management (budget) is implemented properly.

BPS (2015) stated that to date, the challenges of human development in Indonesia still require serious attention in terms of human development gap between regions including human development gap between districts / cities. To that end, the regional development program must be well planned in order to improve the equitable quality of human life.

Aceh Province is one of the areas granted special autonomy by the central government through Law No.18 / 2001 on Special Autonomy for the Special Province of Aceh as Nangroe Aceh Darussalam Province. This autonomy is expected

to increase economic development and economic growth of districts / municipalities in Aceh Province that are far behind compared to other provinces in Indonesia, so that in the end it can provide prosperity for the people (Marwani, 2013).

Data on the BPS website shows that poverty rates in Aceh until September 2015 ranks seventh among the poorest provinces of 34 provinces, below West Nusa Tenggara with 802.29 thousand people (16,54%). The number of poor people in 2015 in Aceh reached 859.41 thousand inhabitants (17,11%). When viewed by area of residence, the poor are still concentrated in rural areas rather than in urban areas.

According to BPS (2015), in 2014 the majority or 20.52% of the villagers are poor or almost twice the urban population by 11.76%. Deputy for the Coordination of Village and Regional Community Empowerment in the FGD Meeting on Utilization of the People's Welfare Index (IKRAR) in Aceh on December 7, 2015 stated that the high number of poor people is one indicator of the welfare of the people of Aceh who

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are still trapped in poverty and inequality of development.

Management of regional finances and regional budgets or APBD is one aspect of regional government that must be carefully regulated. The role of regional government through the APBD becomes important which ultimately has a multiplier effect on the welfare of the community. The government uses its APBD to finance the development in order to realize a region with high human quality. According to Fauzana (2011) there are many cases of regional government policy has no purpose to move the regional economy, for example in determining development budget, many projects of regional government that can not be seen multiplier effect for the economy.

Directorate General of Fiscal Balance (2013) reveals that Aceh Province has the lowest fiscal space of 22.2% where the share of City Government Employment Expenditure in Aceh Province is very large, ie 42.5% of the total Regional Revenue, so that the remaining fiscal space is very small. Meanwhile, the second lowest Capital Expenditure ratio in Indonesia, but has a relatively high ratio of social assistance compared to other regions. Thus, Aceh Province must utilize the existing fiscal space by planning the right Regional Expenditure to encourage the economic growth of the region.

In this regard, the regional expenditure allocation strategy plays no less important role in increasing the development of regency / municipality in Aceh Province. Expenditures made by regional governments include the development and improvement of the education sector, health, transportation, so that people also enjoy the benefits of regional development. Therefore, the regional budget will be illogical if the proportion of its budget is more for routine expenditure (Abimanyu, 2005).

The development of district / city APBD in Aceh during 2011 to 2015 shows that there is an increase in realization of regional expenditure and profit sharing transfers. The increase in APBD should be followed by the equitable increase in community welfare which is reflected in per capita income per year and Human Development Index (HDI).

Based on the previous description, it can be determined several factors that can mempenagruhi level of community welfare that is the factor of regional spending and transfer. This research refers to some previous research which discussed the same problem that is level of society prosperity. Although referring to the previous

research, but still there are differences such as the use of variables, units of analysis, and analytical methods.

Discussion of this research begins by discussing literature review related to budget absorption covering regional expenditure and transfer as well as level of society prosperity. Then the discussion continued by explaining the research method used. After that, followed by the discussion of research findings, and the last discussion is to provide some conclusions and suggestions related research results.

LITERATURE REVIEW

Based on the Regulation of the Minister of Home Affairs No. 13/2006 on Guidelines on Regional Financial Management, it is stated that the Regional Revenue and Expenditure Budget, hereinafter referred to as APBD is the annual financial plan of regional government discussed and approved jointly by the regional government and DPRD (Provincial People Assembly), and stipulated by the Regional Regulation.

APBD is prepared in accordance with the needs of government administration and regional revenue capability. APBD is the basis of Regional Financial Management within 1 (one) budget year commencing from 1 January to 31 December.

Regional Expenditure

According to Regional Government Regulation No. 58/2005 on regional financial management, regional expenditure is a regional government obligation recognized as a deduction of net worth. According to Darise (2008: 39) regional expenditures cover all expenditures from regional general treasury accounts that reduce equity funds, are regional obligations within a budget year and are not reimbursed by the region.

Furthermore Mahmudi (2009: 155) regional expenditure can be understood as an obligation of regional governments that reduce net worth that occurred due to past transactions. According to Government Regulation No. 71 of 2010, expenditures in the LRA consist of operating expenditures, capital expenditures, and other / unexpected expenditures.

Transfer

Transfer funds are allocated funds to reduce inequality of funding sources between central and regional governments, reduce funding disparities in inter-regional governmental affairs, reduce public service gaps between regions, fund the implementation of special autonomy and regional privileges (<https://www.kemenkeu.go.id / transfer-to-region>).

Definition of transfer is the receipt / disbursement of money from a reporting entity from / to another reporting entity, including a balance fund. Transfers to Regions in Law No. 23 of 2014 on Regional Government include central government transfers and inter-regional transfers. Central Government transfers consist of balancing funds, special autonomy funds, privileges, and village funds. Inter-regional transfers consist of revenue-sharing revenue, and financial assistance.

Social Welfare

Based on the Big Indonesian Dictionary, welfare implies things or conditions of prosperity, security, safety, tranquility. Prosperity itself has the meaning of safe, sentosa, and prosperous, safe (apart from all kinds of disturbances) (Center Language MONE, 2005).

Law No. 11 of 2009 on Social Welfare defines social welfare as follows: "Social Welfare is a condition of the fulfillment of the material, spiritual, and social needs of citizens in order to live properly and able to develop themselves, so as to carry out their social functions."

Cardiman (2006) states that the measurement of community welfare with non-monetary indicators refers to an index developed by the United Nations Development Program (UNDP), the Human Development Index (IPM). Human Development Index (HDI) is an indicator to see how successful the development and human welfare of a country. IPM is a composite Indicator of several indicators, namely Health Indicators (Life Expectancy Index), Education Indicators (Literacy Index and School Average) and Economic Indicators (Purchasing Power Parity / PPP). Through the improvement of these three indicators, it is expected that there will be an increase in the quality of human life (Djuitaningsih and Oktafani, 2012).

RESEARCH METHOD

Population in this research is Government of Regency/City in Aceh Province. The district / municipality governments in Aceh amount to 23 governments consisting of 18 district governments and 5 municipalities. The researcher uses census method which is a research method where all elements are used as research population. This research uses financial statement data for 3 year budget period, that is year 2013-2015. The data of research are 69 data (23 x 3) local government financial report which have been audited by Supreme Financial Audit Agency (BPK). The research data also includes data related to HDI (Human Development Index) of Aceh Province published by the Central Bureau of Statistics of Aceh Province.

This study uses a quantitative approach. Methods of data analysis using multiple linear regression analysis with the aim to see directly the influence of independent variables to the dependent variable. The regression model

with more than one explanatory variable is called multiple regression model, called multiple because of the many factors (in this case variables) that may affect the dependent variable (Gujarati, 2006: 180).

In this study, two independent variables namely regional expenditure and regional transfers will be analyzed the effect on the dependent variable that is the level of community welfare in Aceh Province. Operationalization of variables in this study can be described as follows; Regional Expenditures (X_1), Regional Expenditures under Government Regulation No. 71 of 2010 are all expenditures from the General Treasury Account of the State / Region which reduces the Budget Balance Over within the relevant fiscal year period that the government will not be repaid. According to PSAP 02 it is stipulated that the economic classification for local government includes Operational Expenditures, Capital Expenditures and Other / Unexpected Expenditures.

Transfers (X_2), Transfers are allocated funds to reduce inequality of funding sources between central and local governments, reduce funding disparities in inter-regional governmental affairs, reduce public service gaps between regions, fund the implementation of special autonomy and regional privileges (<https://www.kemenkeu.go.id/transfer-to-region>). Transfers to Regions in Law No. 23 of 2014 on Regional Government include central government transfers and inter-regional transfers. Central Government transfers consist of balancing funds, special autonomy funds, privileges, and village funds. Inter-regional transfers consist of revenue-sharing revenue, and financial assistance.

Public Welfare (Y), Law Number 11 Year 2009 on Social Welfare defines social welfare as follows: "Social Welfare is the condition of the fulfillment of the material, spiritual and social needs of citizens in order to live properly and able to develop themselves, so as to implement social function ". Human Development Index (HDI) is an indicator to see how successful the development and human welfare of a country.

The steps to be taken in linear regression analysis are; (1) Descriptive statistics, descriptive statistical analysis conducted aims to be able to see the profile picture research data and relationships that occur among variables used in the study. (2) Classical assumption test, multiple linear regression testing can be done after the model of this research meets the requirements that pass from the classical assumption. The conditions to be met are that the research data should be normally distributed, not containing multicollinearity and heteroscedasticity. (3) The design of hypothesis testing, the design of hypothesis testing in this study was conducted two stages, namely the design of hypothesis testing together and the design of hypothesis testing partially.

RESULTS AND DISCUSSIONS

Descriptive Analysis

Descriptive statistics of research data for regional

expenditure variable, transfer and welfare level of society at Regency / City Government in Aceh Province Period 2013-2015 can be seen in Table 1.

Table 1. Descriptive Statistics Data of Regional Expenditure Variables, Transfers and Human Development Index at Regency / City Government in Aceh Province Period 2013-2015

		REGIONAL EXPENDITURES	TRANSFER	SOCIAL WELFARE (HDI)
N	Valid	69	69	69
	Missing	0	0	0
Mean		850,772,175,429.34	755,073,156,600.60	67,91
Minimum		349,443,799,718.00	13,749,231,932.14	60,11
Maximum		1,716,336,104,583.8	1,789,448,407,208.15	83,25

Classical Assumption Testing Results

Multicollinearity Test Results, based on multicollinearity test results can be seen that the tolerance of regional expenditure variables and transfer $> 0,10$ which means that there is no multicollinearity among independent variables. Meanwhile, the VIF value calculation results also show that none of the independent variables have VIF values more than 10. Thus, it can be concluded that in this regression model there is no multicollinearity among the independent variables.

Heteroskedasticity Test Result, Based on heteroscedasticity test, it can be seen that there is no specific pattern on graph, therefore there is no data of heteroscedasticity.

Normality Test Result, based on the normality test results, the regression model data of this study is normally distributed, it is because the normal distribution forms a straight line diagonal. The test results also show that the line representing the actual data follows the diagonal line.

Hypothesis Testing Results

Hypothesis Testing Results for the Effect of Regional Expenditure and Together Transfers to Community Welfare Levels in Districts / Cities in Aceh Province.

The test results are simultaneously seen from the value of regression coefficients (Unstandardized Coefficients) against each independent variable to the dependent variable. The simultaneous test results from multiple linear regression shows the value of regression coefficient (β) of each variable is 1,680 for regional expenditure variable (β_1), and 1,272 for the transfer variable (β_2).

Determination of hypothesis mentions if there is at least one regression coefficient (β_i) of free variable ($i = 1,2$) $\neq 0$, then together effect on dependent variable. These results support the first hypothesis that has been formulated that the absorption rate of APBD through

local spending and transfer together affect the level of community welfare in Aceh Province.

Effect of Regional Expenditure on Community Welfare Level

The result of the research shows that local expenditures have an effect on to the level of prosperity of society in regency / city in Aceh Province. This means that if regional spending increases Rp1, then the level of people's welfare will also increase by 1,680. Provided positive relationships with the level of local welfare. This means that the allocation of regional budgets set by LGs is aimed at the welfare of communities in districts / cities in Aceh Province.

Regional expenditure is a form of investment in the public sector that is intended to improve the quality of public facilities and infrastructure, which in addition to provide a direct effect on the increase of people's income through the implementation of labor-intensive programs that can stimulate greater productivity for communities and business actors in the region. The availability of a number of good economic infrastructures will encourage the development of private investment so that it opens up employment, increasing regional productivity which will ultimately encourage the improvement of people's welfare. Increasing the effectiveness of social welfare can be achieved along with an increase in government spending (Khuzaironi, 2015).

Priority of expenditure in the framework of increasing human development will also increase the level of community welfare. Increased human development can be observed from the size of the HDI. If the HDI has increased, it can be expected that the level of community welfare will also increase. If the level of community welfare increases, in turn, the poor become diminished in terms of both quantity and quality (Widodo, Waridin, and Maria, 2011).

The results of this study are in accordance with the statement of Sasana (2012) which states that the empowerment and allocation of local expenditure

allocation for the improvement of infrastructure and basic services is a necessity for regional development in the implementation of autonomy. The result of this research is consistent with Prutowo research (2012) which gives result that with the assumption of *ceteris paribus* condition: regional expenditure significantly have positive effect to Human Development Index. Then the research results Priambodo (2015) also proves that the variable of regional spending has a significant positive relationship to human development.

Influence of Transfer to Community Welfare Level

The results showed that the transfer affects the level of community welfare in districts / cities in Aceh Province. This means that if the transfer increased Rp1, then the level of people's welfare will also increase by 1,272. Gained positive relationships transfer with the level of people's welfare. This means that the acceptance of transfer funds from the central government can be managed well by the Regional Government to improve the welfare of the community in the district / city in Aceh Province.

Transfer funds or Balancing Funds are funds sourced from revenues from the State Revenue and Expenditure Budget (APBN) allocated to regions to finance local needs (Abdullah and Halim 2006). Transfers are a consequence of uneven financial and regional economies. In addition the purpose of the transfer is to reduce the horizontal financial gap between regions, and to reduce the central-regional vertical gap. Address the issue of public service effect among regions, and to create stability of economic activity in the region (Abdullah and Halim 2006).

The positive influence of regional transfers on the welfare of the people in the districts / municipalities in the Province of Aceh during 2013-2015, as expected from the implementation of regional autonomy proposed by Suwandi (2000) and Halim (2001) stating that the local government's financial capacity will determine the ability of the government regions in performing functions such as performing public service functions, implementing development functions and implementing protective functions.

The results of this study in accordance with the results of research conducted by Swandewi (2014) which proves that the transfer of funds have a positive and significant impact on the welfare of the community in the Regency / City in Bali Province. The results of this study are also in line with the results of research conducted by Khakim, Hermawan, Solechan, and Tripriyo (2011) that successfully proved that transfer funds have a positive effect on the welfare of people in the district / city in Java.

CONCLUSIONS AND REKOMENDATIONS

Conclusions

The outcome of research indicated that the

findings conformed with the previous study stated on hypothesis. It confirmed that government expenditure budget and transfer have both simultaneous and partial influence on community social welfare in the province of Aceh.

Rekomendations

1. The Regency/City's Government is suggested to increase prosperity of society through poverty alleviation for years to come is by continuing previous program that is pro-poor, pro-job, and pro-growth but with more emphasis on the creation of more adequate employment.
2. In addition, coordination between stakeholders and agencies from the provincial level to the districts / cities level are also should be optimized to avoid overlapping and missed poverty reduction goals.
3. For further research, it is advisable to add other variables that are expected to affect the level of community welfare, other variables such as other types of revenue (DAU, DAK, PAD) as well as non-financial variables such as local government policies, economic growth, unemployment rate.
4. The next suggestion is to use different research analysis model with this research such as path analysis.
5. Further investigators are also advised to take a broader unit of research analysis, or to compare with other regions such as Local Government in Java or or Local Government throughout Indonesia.

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