

UDC 332

THE EFFECT OF REGIONAL ECONOMIC GROWTH AND FINANCIAL INDEPENDENCE ON LABOR OPPORTUNITIES AND SOCIAL WELFARE IN JEMBRANA REGENCY

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ABSTRACT

This study aims to analyze 1) the direct effect of economic growth and regional financial independence on employment opportunities, 2) the direct influence of economic growth and regional financial independence on social welfare, 3) the effect of employment opportunities on social welfare, 4) whether there is an indirect effect of growth economy on the welfare of the community through employment opportunities, 5) whether there is an indirect effect of regional financial independence on the welfare of the community through employment opportunities in Jembrana Regency. The research location was carried out in Jembrana Regency for the period 2000-2019 with path analysis. The results showed that economic growth directly had a positive but not significant effect on employment opportunities in Jembrana Regency, while regional financial independence had a direct positive and significant effect on employment opportunities in Jembrana Regency. Economic growth and regional financial independence directly and significantly affect the welfare of the people of Jembrana Regency. Economic growth indirectly has a positive and significant impact on the welfare of the people of Jembrana Regency through employment opportunities. Regional financial independence indirectly has a positive and significant impact on the welfare of the people of Jembrana Regency through job opportunities. Quality human development will support economic development and have the potential to affect economic growth. However, on the contrary if human resources can also be a burden in economic activities. the need for regional policies that can increase per capita income, by encouraging people to carry out productive economic activities, so that they will be able to provide more job opportunities so that economic growth can be increased.

KEY WORDS

Economic growth, regional financial independence, job opportunities, social welfare.

Increase in regional income leads to increase in regional economic growth. Increase in regional economic growth will increase the development of economic infrastructure and facilities in the region which will further create various job opportunities for the community which will ultimately improve the welfare of the regional community. The increase in labor force participation will cause labor productivity to increase and then the income per capita of the community will increase. (Dong, 2016). The growing inequality between the number of jobs and the available job opportunities, especially in the formal sector, it is necessary to continue to strive for the expansion of intelligent and innovative employment opportunities so as to create an employment friendly program.

One measurement of regional financial performance is the independence ratio which shows the ability of local governments to finance their own government activities, development and services to the community. The higher the independence ratio, the lower the level of regional dependence on external assistance (central and provincial governments) (Halim, 2015). On the other hand, for some regions, autonomy may cause problems of its own given the demands to increase regional independence. Regions experience an increase in fiscal stress which is higher than the era before autonomy. Regions are required to optimize every potential and fiscal capacity in order to reduce the level of dependence on the central government.

The relationship between fiscal decentralization and fiscal pressure with one of the indicators of public welfare, namely economic growth. On the one hand, fiscal

decentralization and fiscal pressure have a positive effect on economic growth, and on the other hand a negative effect on economic growth, such as: Bohte and Meier (2010) compared economic growth in centralized government with decentralized government. The results of his research found that faster and higher economic growth actually occurred in a decentralized government.

Based on the background, the purpose of this study is to analyze: 1) the direct influence of economic growth and employment opportunities on regional financial independence 2) the direct influence of economic growth and employment opportunities on the welfare of the community 3) the influence of regional financial independence on the welfare of the community 4) is there any indirect effect of economic growth on people's welfare through regional financial independence 5) is there an indirect effect of job opportunities on social welfare through regional financial independence in Jembrana Regency.

METHODS OF RESEARCH

The research location was conducted in Jembrana Regency for the period 2000-2019. The time of this research is August – December 2021. The variables analyzed are the variables of economic growth and employment opportunities on regional financial independence and social welfare. Jembrana Regency was chosen as the research location based on the consideration that it has very specific economic characteristics when compared to other regencies. From previous research and empirical facts in the field, it is known that the regional financial independence of Jembrana Regency has not shown encouraging achievements. The expenditure compatibility ratio shows that the allocation of public spending is lower than its routine expenditure.

The types of data to be collected in this study are quantitative and qualitative data, namely.

1. Quantitative data, namely data in the form of numbers including GRDP, employment opportunity data and Jembrana Regency HDI data for 2000-2019;
2. Qualitative data, namely data from observations that may not be stated in numbers but in the form of information, for example the general description of Jembrana Regency.

Table 1 – Classification of Research Variables

Variable	Variable Classification
Economic growth (X1)	Exogenous Variable
Regional Financial Independence (X2)	Exogenous Variable
Job opportunities (Y1)	Intermediate variable
Social welfare (Y2)	Endogenous variables

The operational definition of the variables used in this study can be explained as follows.

1. Economic Growth (X1) is the growth of the production of goods and services in an economic area within a certain time interval created by the economic sectors in the region concerned as measured by the magnitude of the growth of the gross regional domestic product (GRDP). In this study, the GRDP of Jembrana Regency from 2000 to 2019 was used which was expressed in percent.
2. Regional financial independence (X2) is the ability of local governments to finance their own government activities, development, and services to the public who have paid taxes and levies as a source of revenue needed by the region (in percent).
3. Employment Opportunities (Y1) is the number of job opportunities available for people who are looking for work in Jembrana Regency, expressed in percent.
4. Social welfare (Y2), the benchmark of social welfare is HDI, which is a single composite indicator that measures the three main dimensions of human development which is considered to reflect the status of the population's basic abilities. These

dimensions include economy, health, education and a decent standard of living. The HDI used is the result of BPS calculations from 2000-2019 (in units of points). The model can also be expressed in the form of an equation as follows:

Effect of X1 and X2 on Y1

$$Y_1 = b_1 X_1 + b_2 X_2 + e_1 \dots\dots\dots(1)$$

Effect of X1, X2 and Y1 on Y2

$$Y_2 = b_3 X_1 + b_4 X_2 + b_5 Y_1 + e_2 \dots\dots\dots(2)$$

Where:

- b1, b2, b3, b4, b5 are path coefficients;
- X1 is economic growth;
- X2 is regional financial independence;
- Y1 is job opportunity;
- Y2 is Social welfare;
- e1, e2 is an error.

RESULTS AND DISCUSSION

Descriptive Analysis

Descriptive analysis in this study was conducted to obtain an overview of the calculation of the maximum and minimum values, averages and standard deviations in connection with research on the effect of economic growth, employment opportunities on regional financial independence and the welfare of the people of Jembrana Regency. The descriptive analysis in this study is based on time series data as shown in Table 2 as follows.

Table 2 – Description of Research Variables

Variable	unit	Minimum	Maximum	Mean	Std Deviation
Economic Growth (X1)	Percentage	3.06	6.19	5.3113	0.23547
Regional Financial Independence (X2)	People	70.39	98.58	97.4665	0.78654
Job opportunities (Y1)	Percentage	3.69	11.68	7.1134	1.42153
Social welfare (Y2)	Point	62.57	72.45	70.0114	1.52143

Source: Research Data, 2020.

Table 2 describes that the variable economic growth has a maximum and minimum value of 6.19 and 3.06, respectively, with an average of 5.3113 and a standard deviation of 0.23547. The employment opportunity variable has a minimum value of 3.69 and a maximum of 11.68 with an average of 7.1134 and a standard deviation of 1.42153. The actual range value of the regional financial independence variable is a minimum of 70.39 and a maximum of 98.58 with an average of 97.4665 and a standard deviation of 0.78654. The social welfare variable has a minimum value of 62.57 and a maximum of 72.45 with an average of 70.0114 and a standard deviation of 1.52143.

The Effect of Economic Growth and Regional Financial Independence on Job Opportunities and Social welfare of Jembrana Regency 2000-2019

The study was conducted to determine and analyze the effect of regional economic growth and financial independence on job opportunities and the welfare of the people of Jembrana Regency in 2000-2019. The path coefficient in this study was obtained from the results of regression calculations with the simple regression method (Ordinary Least Squer = OLS) using the SPSS version 23 program on the equation model. To get the path coefficients, this section is gradually solved through the regression equation model, which is

as follows:

1. Model 1: The effect of economic growth variables (X1) and regional financial independence (X2) on employment opportunities (Y1);
2. Model 2: The effect of economic growth variables (X1), regional financial independence (X2), and job opportunities (Y1) on people's welfare (Y2).

These models and the classification of variables and their equations in detail are presented in Table 3 below:

Table 3 – Variable Classification and Path Equation

Model	Independent Variable	Dependent Variable	Equation
1.	<ul style="list-style-type: none"> • Economic growth (X1) • Regional financial independence (X2) 	Employment Opportunity (Y1)	$Y_1 = b_1X_1 + b_2X_2 + e_1$
2.	<ul style="list-style-type: none"> • Economic growth (X1) • Regional financial independence (X2) • Job opportunities (Y1) 	Public welfare (Y2)	$Y_2 = b_3X_1 + b_4X_2 + b_5Y_1 + e_2$

The Effect of Economic Growth (X1) and Regional Financial Independence (X2) on Employment Opportunities (Y1)

The effect of economic growth and regional financial independence on employment opportunities based on the calculation of Appendix 8 can be seen in Table 4.

Table 4 – Linear Regression Test Model 1: The Effect of Economic Growth and Financial Independence on Employment Opportunities

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	87.308	2.349		37.161	0.000
Economic growth	0.272	0.596	0.084	0.457	0.653
Financial autonomy	0.869	0.211	0.760	4.119	0.001

Dependent Variable: Employment Opportunity.

Sources: Data Proccesed, 2020.

Based on the results of the above analysis, a regression equation model of the effect of economic growth and regional financial independence on employment opportunities can be made, namely:

$$Y1 = 0.084 (X1) + 0.760 (X2)$$

Where: Y1 = Job opportunities; X1 = Economic growth; X2 = Regional financial independence.

The Effect of Economic Growth (X1), Regional Financial Independence (X2), and Job Opportunities (Y1) on Social welfare (Y2)

The results of the processed data on the effect of economic growth, job opportunities, and regional financial independence on the welfare of the community are presented in Table 5 below.

Table 5 – Linear Regression Test Model 2: The Effect of Economic Growth and Financial Independence, and Job Opportunities Towards Social welfare

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
(Constant)	44.918	6.150		7.304	0.000
Economic growth	0.942	0.173	0.434	5.442	0.000
Financial autonomy	0.299	0.086	0.389	3.469	0.003
Employment Opportunity	0.182	0.070	0.271	2.604	0.019

Dependent Variable: Kesejahteraan Masyarakat/

Sources: Data Proccesed, 2020.

Based on the results of the above analysis, the following theoretical equations can be drawn up:

$$Y_2 = 0.434 (X_1) + 0.389 (X_2) + 0.271 (Y_1)$$

Where:

- Y₂ = Social welfare;
- X₁ = Economic growth;
- X₂ = Regional financial independence;
- Y₁ = Job opportunities.

Evaluation of the Fulfillment of Path Analysis Assumptions

An examination of the assumptions underlying the path analysis needs to be carried out so that the results are satisfactory. The assumptions underlying the path analysis are as follows.

1. In the path analysis model the relationship between variables is linear and additive. The linearity test uses curve fit and applies the parsimony principle, that is, if the model is significant or non-significant, it means that the model is linear. Based on the results of the processed research data in Appendix 1-6, it can be seen that all relationships between research variables show a linear relationship.
2. Only recursive models can be considered. As shown in Figure 3.2, the model made is only a causal flow system in one direction, not back and forth so that path analysis is feasible to be applied in this study.
3. Minimum endogenous variables in interval measuring scale. The size of the variables analyzed in this study are all ratio scales, economic growth, job opportunities, regional financial independence, and social welfare. Therefore path analysis is feasible to use in this study.
4. Observed variables are measured without error. This study uses secondary data and does not use an instrument in the form of a list of questions so that there is no need to test the validity and reliability of the research instrument. Since this assumption is not critical, it can be fulfilled.

Evaluation of Model Validity

By using formulas 4.2 and 4.3 the total coefficient of the structural equation of the research model in accordance with the calculations in attachments 11 and 12, the value of $R_m^2 = 0.9811$ is obtained. The total coefficient of determination of 0.9811 means that 98.11 percent of the information contained can be explained by the model formed, while the remaining 1.89 percent is explained by other variables outside the model formed..

Path Coefficient

Based on Table 3, Table 4 and Table 5, a summary of the path coefficients can be made as presented in Table 6 below.

Table 6 – Path Coefficient Summary

Regression	coef. Reg. Standard	Standard Error	t-test	p-value	Info..
X ₁ → Y ₁	0,084	0,596	0,457	0,653	Non Significant
X ₂ → Y ₁	0,760	0,211	4,119	0,001	Significant
X ₁ → Y ₂	0,434	0,173	5,442	0,000	Significant
X ₂ → Y ₂	0,389	0,086	3,469	0,003	Significant
Y ₁ → Y ₂	0,271	0,070	2,604	0,019	Significant

Source: Research Data, 2021 (processed).

Note: X₁ = Economic growth; X₂ = Regional financial independence; Y₁ = Job opportunities; Y₂ = Social welfare.

The table above describes that economic growth (X₁) has no significant effect on employment opportunities (Y₁) with a significance of 0.653, because it is greater than 0.05.

Regional financial independence (X₂) has a significant effect on employment opportunities (Y₁) with a significance of 0.001. Economic growth (X₁), regional financial independence (X₂), and job opportunities (Y₁) have a significant effect on people's welfare (Y₂) with a significance of 0.000 each; 0.003; and 0.019 or less than 0.05. Based on the summary of the path coefficients in Table 5.6, a path diagram can be made as shown in Figure 2.

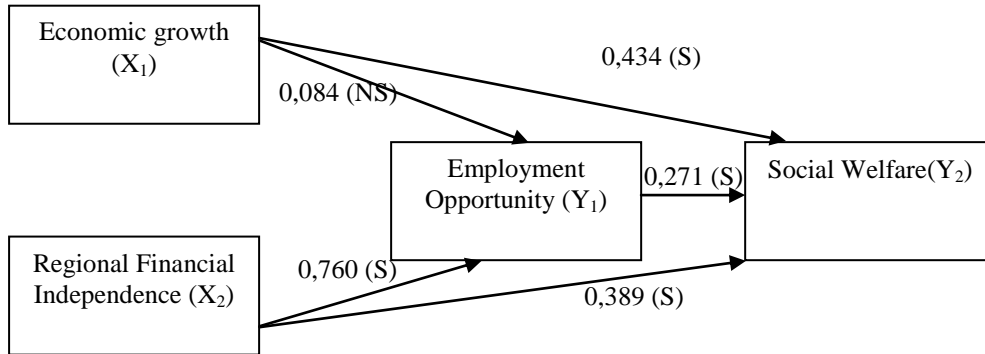


Figure 1 – Research Path Diagram of the Effect of Economic Growth, Regional Financial Independence, and Job Opportunities on Social welfare in Jembrana Regency

Indirect Influence

The indirect effect between economic growth and regional financial independence on people's welfare through employment opportunities needs to be tested for significance with the Sobel test.

1. Sobel test on the relationship between economic growth, job opportunities, and social welfare.

$$\begin{aligned}
 a_1 &= 0,272 & Sa_1 &= 0,596 \\
 b_1 &= 0,182 & Sb_1 &= 0,070 \\
 Sab_1 &= 0,1103 \\
 ab_1 &= 0,0496 \\
 Z_1 &= 0,4501
 \end{aligned}$$

Based on these calculations, it is known that economic growth has an indirect and insignificant effect on people's welfare through employment opportunities.

2. Sobel test on the relationship between regional financial independence, job opportunities, and social welfare.

$$\begin{aligned}
 a_2 &= 0,272 & Sa_2 &= 0,596 \\
 b_2 &= 0,182 & Sb_2 &= 0,070 \\
 Sab_2 &= 0,0052 \\
 ab_2 &= 0,1584 \\
 Z_2 &= 30,58
 \end{aligned}$$

Based on these calculations, it is known that regional financial independence does not directly affect the welfare of the community through employment opportunities.

The effect of economic growth and regional financial independence on employment opportunities in Jembrana Regency

Economic growth has a direct positive effect on employment opportunities in Jembrana Regency of 0.653, but is not significant. Likewise, the effect of regional financial independence on employment opportunities in Jembrana Regency is also positive with a regression coefficient of 0.001 which has a significant effect. This is in accordance with the results of previous studies from Gaghana et al. (2019) that economic growth does not have a

significant effect on employment opportunities, with case studies in Manado City, Bitung City, Tomohon City, and Kotamobagu City. The results of previous research from Nur'ainy et al. (2013) also show that economic growth has a positive effect on the level of employment in urban areas in West Java, but the effect is significant. Economic growth is the key to macroeconomic goals, this is based on three reasons. First, the population is always growing. This increase in population means that the labor force also increases. Economic growth will be able to provide employment for the workforce. If the economic growth that can be created is smaller than the growth of the labor force, it will encourage unemployment. Second, as long as wants and needs are always unlimited, the economy must always be able to produce more goods and services to satisfy these wants and needs. Third, efforts to create economic stability through income levies will be easier to achieve in periods of high economic growth. Regarding the effect of regional financial independence on job opportunities, the results of this study are in line with previous research from Taryoko (2016) regarding the analysis of factors that affect regional financial independence in DI Yogyakarta for the 2006-2013 period, where regional financial independence did not have a significant effect on the number of workers. work. According to Anggraini and Lutfhi (2012), economic growth and human development are interrelated and contribute to each other. Economic growth is a prerequisite for achieving human development, because economic growth will ensure increased productivity and income through the creation of job opportunities.

The influence of economic growth and regional financial independence on the welfare of the people of Jembrana Regency

The results of data analysis also show that direct economic growth and regional financial independence have a positive and significant effect on the welfare of the people of Jembrana Regency with regression coefficients of 0.000 and 0.003. This is in accordance with previous research from Sholihah and Kustanto (2017) entitled "The Effect of Economic Growth and Income Gap on the Welfare of the People of Sudoarjo Regency", indicating that economic growth has a positive and insignificant effect on people's welfare. While previous research from Wijayanti and Darsana (2015) showed that economic growth did have a positive impact on people's welfare, but it was significant. Regarding the impact of regional financial independence on people's welfare, the results of research by Awandari and Indrajaya (2016) in Bali Province show that regional financial independence has a positive and significant effect on people's welfare. Likewise, Hendarmin's (2012) research on the effect of local government capital expenditures and private investment on economic growth, regional financial independence and social welfare in the Regency/City of West Kalimantan Province also shows that regional financial independence also has a positive and significant impact on people's welfare. Endogenous growth theory pioneered by Romer (1986) and Lucas (1988). The field of study that attracted Romer's attention was that economic growth had a broader perspective by incorporating components of endogenous technology resulting from research and development (research & development) and science into the model of economic growth (Arsyad, 2010: 91). The concept of social welfare refers to the concept of social welfare development, which is a series of planned activities aimed at improving the standard and quality of human life (Suharto, 2006). The definition of social welfare according to Whithaker and Federico (1997) is a nation's system of the benefits of goods and services to help people obtain social, economic, educational, health needs that are important for the survival of society. According to the Human Development Report (1995) in (Yusuf, 2014), human development is a process to enlarge choices for humans ("a process of enlarging people's choices") that the focus of a country's development is the population because the population is the real wealth of a country. The effect of regional financial independence on people's welfare is in accordance with the opinion expressed by Cardiman (2006), which states that an increase in regional income means an increase in regional budgets. An increase in the regional expenditure budget will improve the welfare of the community, because the increase in regional expenditure will increase the development of infrastructure and economic facilities in the region which in turn will create various employments for the community which will ultimately improve the welfare of the regional community.

The influence of job opportunities on the welfare of the people of Jembrana Regency

Job opportunities have a positive and significant effect on the welfare of the people of Jembrana Regency with a regression coefficient of 0.019. The results of this study are in line with previous research from Suryaningsih et al. (2015) regarding the impact of job opportunities on the welfare of district/city communities in Bali Province, which shows that job opportunities have a significant effect on regional development performance and district/city social welfare in Bali Province. Even in more detail, the results of Hamid's research (2018) explain that joint employment opportunities have a significant positive effect on the welfare level of the people of Majalengka Regency in the form of per capita income, life expectancy, and years of schooling. Good management of job opportunities can encourage economic growth in the area. Good quality economic growth can improve people's welfare, which is followed by reduced unemployment and poverty rates (Susi Astuti, 2019). In an effort to reduce poverty, the Sidoarjo Regency Government can focus policies on increasing job opportunities for the existing workforce. It is hoped that the workforce in Sidoarjo Regency can all be absorbed in the workforce. Thus the level of community income will also indirectly increase (Anindita, 2017). The Jembrana Regency Government also needs to make various efforts to increase community capacity. At least the increase was carried out on two aspects, namely the skill aspect and the capital aspect. Policies to improve these two aspects need to be formulated immediately so that poverty reduction in Jembrana Regency can be better.

The indirect effect of economic growth on people's welfare through employment opportunities in Jembrana Regency

The test results show that economic growth indirectly has a positive but not significant effect on the welfare of the people of Jembrana Regency through employment opportunities. To realize the welfare of the people in Jembrana Regency, in the era of regional autonomy, the local government needs to carry out programs that can be of real benefit according to the needs of the community. For this reason, a strong source of funding is needed, one of which is through local revenues, including by reducing budget dependence from the central government. The results of research conducted by Siregar and Wahyuniarti (2008) state that economic growth has a significant effect on poverty, but the effect is relatively small. While the decline in unemployment has not been able to overcome the problem of poverty in East Java. This happens because in the very poor family group, the unemployment rate is low because most family members work to survive. Sometimes children are also involved in work on the grounds that the income of the family head or parents is not sufficient for the family's needs, especially in farming families with low education so that the income received is low.

The influence of regional financial independence indirectly on the welfare of the community through employment opportunities in Jembrana Regency

The results of data analysis indicate that regional financial independence indirectly has a positive but not significant effect on the welfare of the people of Jembrana Regency through job opportunities. Regional financial independence does provide an opportunity to improve people's welfare, but given that it turns out that regional financial independence does not have a significant direct impact on job opportunities, the impact is also indirectly significant for the welfare of the community. Employment opportunities in absorbing labor are a major problem in Indonesia's development, both in the past and in the future. The population explosion from year to year continues to increase, while the employment opportunities to accommodate them are inadequate, which states that the theory of employment opportunities is relevant to this research. However, this study is in line with the results of research conducted by Wardhana & Nugroho (2006) which links structural unemployment in Indonesia to the hysteresis framework. The results of his research show that the rate of change in GDP in Indonesia has less effect on the unemployment rate in Indonesia. This is because GDP is not formed by the real sector which is also associated with the background of the emergence of hysteresis. The hysteresis symptom is thought to have arisen as a result of tight monetary policy to suppress inflation without being balanced with fiscal expansion to encourage regional financial independence. In theory, Samuelson

states that there are four factors of growth, human resources, natural resources, capital formation, and technology. Of the four factors, technology is another factor that increases productivity. From the results of this study, a prominent factor in establishing regional financial independence in Jembrana Regency is investment, both government and private sector investments. The results of this study also do not deviate from Okun's Law which states that for every 2 percent decrease in GDP related to potential GDP, the unemployment rate will increase by about 1 percent. This law can be interpreted that the relationship between GDP/GDP is inversely proportional to unemployment, which means that there is a unidirectional relationship between regional financial independence and employment opportunities.

Regional financial independence in the era of autonomy is one of the goals of achieving regional autonomy in the reform era. Each new autonomous region is pursuing this. This is in accordance with the concept presented by Todaro and Smith that the character of regional financial independence (character of economic growth) is a determinant of whether regional financial independence affects the poor or not. The character is built through how it is achieved, priority sectors, and the institutions that regulate it (Todaro & Smith, 2006). The character of regional financial independence that has been developed in Jembrana Regency is capital sector-based growth, with the tourism as the priority sector.

CONCLUSION

Based on the results of the research and discussion as shown in the previous section, we can conclude that Economic growth directly has a positive but not significant effect on employment opportunities in Jembrana Regency, while regional financial independence has a direct positive and significant effect on employment opportunities in Jembrana Regency. The number of labor force has no significant effect on economic growth. This means that increased income has not been able to increase economic growth. Likewise, the increasing number of the workforce may actually hamper economic growth. Economic growth and regional financial independence directly have a positive and significant impact on the welfare of the people of Jembrana Regency, so it is hoped that regional capabilities will continue to be improved in an effort to increase regional financial independence, so that they can continue to increase regional economic growth. The higher the level of regional financial independence, the lower the level of economic growth. Quality human development will support economic development and have the potential to affect economic growth. However, on the contrary if human resources can also be a burden in economic activities. Economic growth indirectly has a positive and significant impact on the welfare of the people of Jembrana Regency through employment opportunities. Increasing economic growth is to streamline job opportunities in supporting community economic activities. In addition, with the right allocation of labor, it is expected that regional income will also increase and have an impact on increasing social welfare. Regional financial independence indirectly has a positive and significant impact on the welfare of the people of Jembrana Regency through job opportunities. Financial independence and regional welfare in Jembrana Regency, namely the level of labor force participation which until now the total labor force participation rate in Jembrana Regency is very high with low human resources, making it difficult to find work and become unemployed which makes them unable to meet their needs, so the level of social welfare in the area is low.

The things that can be suggested as recommendations for follow-up research results include: Increased economic growth can be supported by increasing regional financial independence, especially in regions with the largest average change in GDP. It must be carried out with the right policies so as not to interfere with the performance of the government and the economy in the long term and its use is in accordance with the initial goal of reducing financial disparities between regions and being supportive of development goals. For this reason, it is necessary to have regional policies that can increase per capita income, by encouraging people to carry out productive economic activities, so that they will be able to provide more job opportunities so that economic growth can be increased.

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