

**AN ANALYSIS OF COMPARISON OF REGIONAL BUDGET MANAGEMENT IN  
PIDIE REGENCY BEFORE AND AFTER THE FORMATION OF THE NEW  
ADMINISTRATIVE REGION.**

**Abstract**

*The purpose of this study was to analyze the comparison of budget management before and after the formation of the new administrative region in Pidie Regency. The data used for this study were the total value of Gross Regional Domestic Product (PDRB) toward constant price, total population and investment obtained from the Financial and Asset Management Board (BPKAD) and Central Statistics Agency of Pidie for the period 2002-2016. The analysis method used in this study was multiple linear regression with the ordinary least square (OLS) method and a dummy variable to distinguish the effect before and after the formation of new administrative regions. The results showed that the investment the BRDP affected locally-generated revenue (PAD), while the number of the population has an adverse effect on PAD. There was the negative difference on PAD before and after the formation of the new administrative region. On the contrary, the variables of BRDP, number of population, and the investment have a significant influence on PAD in Pidie Regency. The government must be more careful in budgeting how much it costs to realize all the income it receives so that it can be seen whether the revenue collection activities are efficient or not. This needs to be done because even though the regional government has succeeded in realizing revenue receipts according to the targets set, the success is less significant if it turns out that the costs incurred to realize the revenue target are greater than the realization of the income it receives.*

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## INTRODUCTION

In general, the economic activities of a region can be described through the ability of the region to produce goods and services needed for the people's necessities of life as indicated by GRDP. The GRDP is an important indicator to determine the economic condition of a region in a given period. The GRDP is defined as the amount of gross value added that arises from all economic sectors in the region (Tarigan, 2004: 21)". Calculation of the GRDP value will be obtained by Regional Revenue of a region. If this regional income divided by the population in the area will reflect the level of income per capita that is used as an indicator to compare the level of the material prosperity of an area to other regions.

The authority possessed by the regional government will be even greater so that the responsibilities carried out will also increase. "The implication of the wide authority of government affairs in the context of regional autonomy is an advantage for the region. But on the other hand, the increase in the authority of the region is a burden that demands regional readiness for its implementation, because of the increasing responsibility of the regional government. Therefore the aspects that need to be considered are financial resources. (Darumurti and Rauta, 2000: 68)."

"The hope of implementing regional autonomy or decentralization is that the regional government will be more flexible in regulating its development strategy, for with regional autonomy, the government will be closer to its peoples so that more and more people's requests can be fulfilled by the government. With regional autonomy, the regional budget is the most important door for each region to dynamically progress development activities through appropriate allocations in order to develop strategies in creating more appropriate policies according to the situation of each region (Yustika, 2007: 242)".

"Since the enactment of Law Number 22 of 1999 concerning Regional Government, the number of autonomous regions in Indonesia until 2010 has increased by 205 regions, consisting of 7 provinces, 164 regencies, and 34 cities, and this number will continue to grow. The addition of new autonomous regions has indeed caused many problems, such as increased government funding, inter-regional development disparities, to the fragility of regional guarding against external threats and disturbances. Some new autonomous regions have even been financially hit by bankruptcy. (Iskandar, 2012) "

"Kuncoro (2004: 9) showed that during the period 1984/1985 to 1990/1991, for the province, the locally generated income (PAD) was only able to finance 30 percent of indirect expenditure for the district or less of 22 percent for the city. This is also seen in South Sorong Regency, where the contribution of local revenue from 2004-2013 was still very low, on average only 1.54 percent of the

total Sorong Selatan Budget. The measurement of regional financial capacity has been carried out now, that is, by looking at the ratio between PAD and Total Regional Budget Revenues. In principle, the greater the contribution of PAD to the Total Local Government Budget will show less dependence on the central government “.

The population is an important indicator in a country. Classical economists pioneered by Adam Smith even considered that “population is a potential input that can be used as a production factor to increase the production of a company household. The more population, the more labor can be used. Because the population continues to grow, a lot has to be planned to overcome the increasing number of people.”

“Investment can be interpreted as investment expenditure or companies to buy capital goods and production equipment to increase the ability to produce goods and services available in the economy (Sukirno, 1994: 107). Investment is not only to maximize output but to determine labor distribution and income distribution, population growth and quality as well as technology”.

“The population continues to grow from year to year in Pidie district. The population is an important indicator in a country. Classical economists pioneered by Adam Smith even consider that population is a potential input that can be used as a production factor to increase the production of a company's household. The more population, the more labor can be used. (Asmuruf, 2015: 728). But on the other hand, the growing population can also expand the regional income gap of each regency/city. In the end, this has an impact on the development gap of each region because the regions with the most population will experience the fastest development.”

Based on the data presented in the table below, it can be concluded that the level of PAD in Pidie Regency has increased from year to year. Both before and after the formation of a new administrative region and more increased than Pidie Jaya regency. However, it turns out that if there are a significant fluctuation and difference in value, it can affect economic development. In the end, this caused regional development to be uneven between regions. In its acquisition, PAD is directly or indirectly related to several variables, namely, Gross Regional Domestic Product (GRDP), population, and investment. This is because based on the facts that occurred in Pidie district if viewed partially, the increase in population is quite significant and has a high difference.

**Table 1.1.**  
**Pidie dan Pidie Jaya Generated Income (PAD)**  
**2005-2016**

Tahun	PAD Kabupaten Pidie	PAD Kabupaten Pidie Jaya
2005	6,298,097,921	-
2006	9,019,337,980	-
2007*	13,397,988,112	-
2008	12,500,011,047	1,801,007,114
2009	15,990,977,098	4,191,990,899
2010	15,597,997,989	4,589,977,908
2011	22,900,012,019	9,501,141,003
2012	45,822,026,000	9,690,991,809
2013	76,878,689,097	14,062,919,190
2014	166,598,720,922	30,312,848,007
2015	210,402,047,000	22,137,666,011
2016	310,248,834,536	46,068,928,354

*source: Central Statistics Agency. Pidie dan Pidie Jaya*

Pidie generated income is also related to GRDP which is the sum of the value of final goods and services produced by all economic units. The linkage can be seen by the conclusion that with the higher GRDP obtained, it will increase government revenues.

The acquisition of PAD of Pidie has not been evenly distributed which in turn has an impact on economic development, this can be seen in the data in 2016 which stated that pidie regency obtained PAD of 310.2 billion rupiahs while in Pidie Jaya only received IDR 46.1 billion rupiahs. This is estimated to be related to the acquisition of GRDP, population, and investment of each regency. The acquisition of regional taxes of each Regency depends on the management of the potential that is owned. Although the potential that is owned is abundant, if the management is not right, the income generated to fill the PAD cash will not be in accordance with the plan. The population and Pidie GRDP (data attached) always occupy the top rank, so the acquisition of PAD also always leads. Based on this, it can be concluded that it is suspected that there are problems related to population, regional taxes and GDP to the acquisition of PAD in each regency in Aceh Province.

## **LITERATURE REVIEW**

### **Definition of Regional Autonomy**

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The implementation of the regional autonomy system is a mandate given by the State Constitution of the Republic of Indonesia in 1945 (the 1945 Constitution) of the Second Amendment of 2000 to be

implemented based on a law established specifically in regulating the regional government. The post-amendment to the 1945 Constitution includes the problems of regional government in Chapter VI, that is, Article 18, Article 18A, and Article 18B. The system of regional autonomy itself is written in general in Article 18 to be regulated further by the Law.”

Article 18 paragraph (2) states, "Provincial, regency and city governments govern and administer government affairs according to the principle of autonomy and co-administration." Furthermore, in paragraph (5) it is written, “Regional governments carry out autonomy to the broadest possible extent except for government affairs which are determined by law as central government affairs". And paragraph (6) of the same article states, “The regional government has the right to stipulate regional regulations and other regulations to carry out autonomy and assistance tasks”.

"Agusniar (2006) also explained that in the implementation of good local government, there are seven principles that must be developed and implemented with all the consequences and implications", namely: Democratization and empowerment;

1. Service;
2. Decentralization;
3. Transparency and Accountability;
4. Participation;
5. Consistency of policy and legal certainty.

The central-regional financial balance policy must clearly regulate the allocation of balanced funds. “Smith (1985) distinguishes two points of view of interests, namely the interests of the Central Government and the interests of Regional Government. There is at least a place of interest from the decentralization and regional autonomy policies including political education, leadership training, creating political stability, and realizing the democratization of regional government systems.”

### **Regional Financial Performance**

According to the Government Regulation of the Republic of Indonesia Number 58 of 2005, concerning Management of Regional Finance in general provisions, it states that regional finance is all regional rights and obligations in the context of administering regional government which can be valued with money including all forms of regional wealth.

According to Halim (2007), he pointed out that Regional Finance can be interpreted as all rights and obligations that can be valued with money, as well as everything in the form of money or goods that can be used as regional wealth as long as it is not owned by a higher state or region and other

parties in accordance with applicable laws and regulations. Rahardjo (2011) states that regional finance is all regional rights and obligations in the context of administering regional government that can be valued with money including all forms of wealth related to the rights and obligations of the region, within the framework of the Regional Budget (APBD). ) Local governments as managers must provide financial information that is needed accurately, relevant, on time and can be trusted. For this reason, regional governments are required to have a reliable accounting information system”

### **Locally Generated Income (PAD)**

“According to (Yani, 2013), locally generated income (PAD) is revenue earned by regions collected under regional regulations in accordance with laws and regulations. Halim (2007) stated that PAD is all regional revenues originating from regional economic sources, that is, Regional Taxes, Regional Levies, Management Results of Property of Separated Regions and others. Then (Djaenuri, 2012) defines that PAD is profits obtained by the region from sources within its own territory which are collected based on regional regulations in accordance with the applicable laws and regulations.”

### **The Correlation of Population, Government Expenditures / GRDP, and Investment towards Locally Generated Income**

Anata (2008) explained that the population is all people who are domiciled in the geographical area of the Republic of Indonesia for 6 months or more or those who live less than 6 months but aim to settle, both productive and unproductive. The productive population is the hope of the local government. The more productive the population, the greater the employment opportunities created. In addition, the population of the city which is balanced with educated human resources will help regional development.”

Mankiw (2006) states that the population will influence the regional government. If technological advances occur faster in areas with large numbers of the population, it will be more findings. So areas with large numbers of the population will increase income in the regional government or fasten the development of the area. Public Economic Theory of tax states that the number of people has a level of tolerance to taxes, where the public understands the amount of tax collection needed by the government to finance expenditures both the central and regional governments (Adismata, 2011).”

The influence of population and the quality of the population of a region is the most important determinant of the ability to produce as well as the standard of living of a country or region. However, the main reason why this population problem is very attractive to economists is that the population is

a source of labor, human resources, in addition to the source of skill production factors (Rosyidi, 2002: 87)".

The correlation between GRDP as a benchmark for the income of the community and PAD is reinforced by the opinion of Atmaja (2007), the greater the income of the community, the greater the capacity to carry out taxes determined by the government. At the stage of constant allocation of income, the greater the real PDRB per capita of a region, the higher the ability of the people of the region to pay for routine expenditures and government development expenditures.

GRDP can be measured through three approaches, first based on the production approach, GRDP is the total value of goods and services produced by all elements of the production unit in a region within a certain period of time. The second approach is the expenditure approach is all parts of the final demand from household consumption expenditures and private entities that do not choose to benefit. The third approach is the income approach, GRDP is the total of goods and services obtained by production elements that participate in the production process in a region within a certain period of time (Sukirno, 1994).

The correlation between GRDP and PAD is a functional relationship. With the increase in GRDP, it increases the local government revenue to finance development programs. Then it will spur improvement in local government services to the people who are believed to be able to increase their productivity (Batik, 2013).

Lestari (2016) argues that per capita GRDP as a proxy for people's income will affect consumption, in other words, the increase in people's income certainly leads to PAD which also increases, because after all the community is bound to their needs for goods and services. In line with this, PAD will be positively affected along with the increase in GDP per capita.

Some studies show that inflation has a positive and negative influence on PAD. Inflation can increase capital costs, reduce capital accumulation and reduce productivity and in the long run, can reduce PAD. On the other hand, anticipated higher inflation can increase per capita capital because households divert their assets from real money balances to the real capital (Slesman, 2016).

The investment function relates the amount of investment to the real interest rate. Investment depends on the real interest rate because the interest rate is the cost of the loan. The investment function is downward sloping: when the interest rate rises, fewer investment projects are profitable (Mankiw, 2000)."

Regarding the formation of capital which is considered important for the development, it is as follows: For example, opportunities for investment increase because of technological advances. The increase in demand for investment will cause the interest rate to rise which in turn will increase the

amount of savings. With the increase in investment, the prices of capital goods will also rise. Furthermore, due to increases in interest rates and prices of capital goods, further investment is limited to projects that can provide the greatest benefits. If the projects have been implemented, the demand for investment decreases so that the interest rate and the price of capital goods fall back. After that, the less profitable projects become profitable again and so on. Finally, the interest rate has become so low that no more people want to save. At this level of development, capital accumulation ends and the economy experiences a static state. In the absence of capital, accumulation means there is no development. In order not to experience such a static state, full employment must always be maintained during the process of capital accumulation. The government must hold public works projects.

The formation or collection of capital is seen as one of the factors and at the same time the main factor in economic development. According to Nurkse (Jhingan, 1999), the vicious circle of poverty in underdeveloped countries can be cut through capital formation. As a result of low levels of income in underdeveloped countries, demand, production, and investment are low or less. This causes a shortage in the field of capital goods that can be overcome through capital formation. The process of capital formation helps increase output which in turn increases the rate and level of national income.

## **RESEARCH METHODOLOGY**

### **Scope of the Study**

The research also uses the research library. Library research is a study carried out using literature, namely research that aims to obtain secondary data by conducting a review of several books relating to macroeconomic indicators, that is GRDP, Total Population, Investment and also about PAD. The data were collected from related agencies or offices such as data from the Regional Financial and Asset Management Agency (BPKAD), and data from the Central Statistics Agency (BPS) of Pidie and BPS of Aceh as well as data from journals and articles relating to data on GRDP, Population, Investment and also on PAD in the Pidie Regency.

### **Population and Sample**

Population is a generalization area consisting of objects/subjects that have certain qualities and characteristics set by researchers to be studied and then conclusions drawn (Ibid)". The population in this study is data collected based on the period of time, that is, PAD and Investment realization report data per year before and after the formation of the new administrative region of Pidie Regency and annual GRDP and Total Population data that have been published by BPS Pidie taken as samples in the last 15 years of the year 2002-2016.



“The method used in the sampling of this study is Purposive Sampling, a technique of determining the sample with consideration or certain criteria (*Ibid*). In determining the sample using purposive sampling, the writer determines several criteria used as samples, that is, data on PAD realization and investment realization data in 2002-2016 which had been compiled in the form of Pidie Asset report and GRDP data and Population Number issued by BPS Pidie Regency ”.

### **Data and Data Source**

To collect data and information obtained in this study, the writer used secondary data that is obtained indirectly through intermediary media (produced by other parties) or used by other institutions that are not managers but can be utilized by certain studies. Secondary data comes from internal and external sources. In this case, the secondary data that is internal obtained through data from the Central Statistics Agency and the Regional Financial and Asset Management Agency (BPKAD) of Kabupaten Pidie, that is, data on the total value of GRDP at constant prices, Population, Investment and realization of structured Regional Revenue from 2002-2016 in the form of time-series data.

### **Data Analysis Method**

Data analysis carried out in this study is a regression equation using Ordinary Least Square (OLS) regression with the following formula :

$$Y = \beta_0 + \beta_1 PDRB + \beta_2 JP + \beta_3 INV + \beta_4 DMY + e$$

Then the above equation is transformed into a natural logarithm into:

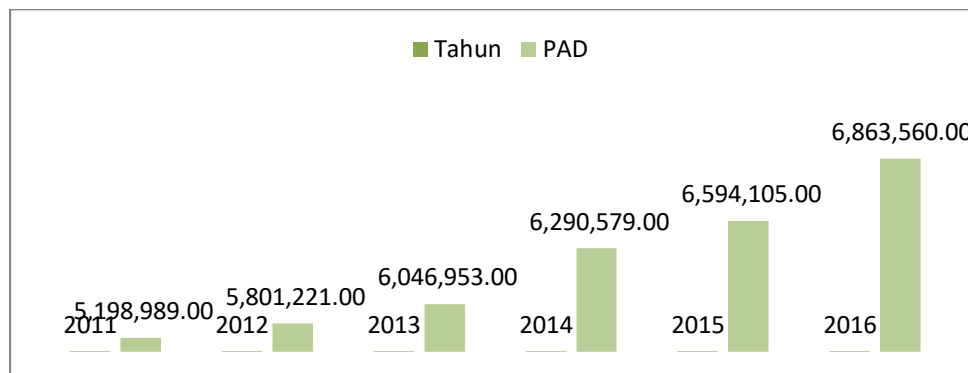
LnY	= Locally Generated Income (PAD)
LnPDRB	= Gross Regional Domestic Product(PDRB)
LnJP	= Tota Population
LnINV	= Investment
DMY	= Dummy before (0) after (1)
$\beta_1, \beta_2, \beta_3$	= coefficient

## RESULT AND DISCUSSION

### Development of Gross Regional Domestic Products (PDRB)

Regions with high economic intensity each year will contribute to the Gross Regional Domestic Product (GRDP). GRDP is an important indicator to determine the economic conditions in a region/province in a given period. Economic growth that reflects the economic performance of a region, where economic growth indicates the success of the development of a region is seen from the magnitude of GRDP value, then in line with the theory of endogenous economic growth and aggregate where economic growth depends on the increase in the supply of production factors namely population, labor, and capital accumulation.

With the increase in PAD which is proxied as capital accumulation, it means that this is also in line with the endogenous economic growth theory which states that to increase economic growth seen from the amount of GDP the priority is from endogenous production factors or within the region, so that PAD can be concluded of which local taxes and retributions as regional revenues are highly dependent on the intensity of economic activities carried out by the regional government.



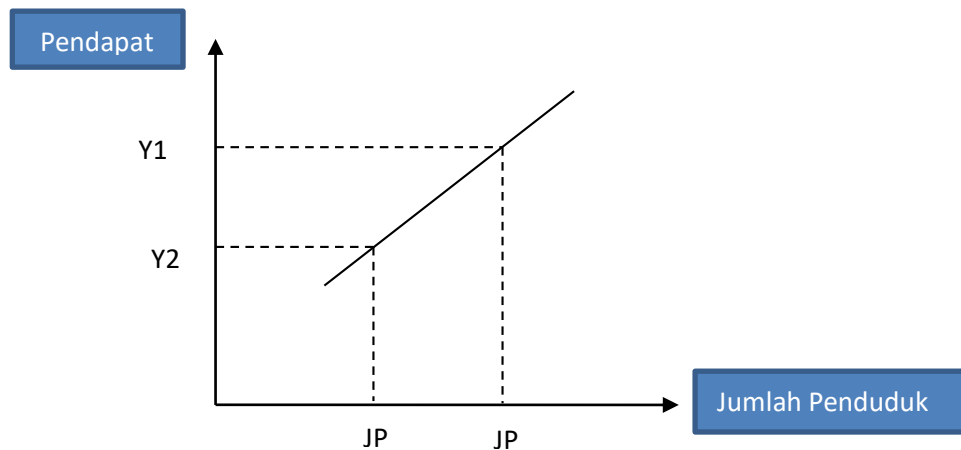
**Figure 1.1. GRDP of Pidie 2011-2016**

In the graph above, it can be seen that Kabupaten Pidie's GRDP is increasing every year. The increase is also very significant at 55% every year. Thus it can be concluded that the production of goods and services produced by the people of Pidie Regency can be said to have a significant contribution to PAD.

### Addition of Population

According to Adam Smith (lincolnArsyad, 1999), the high increase in population accompanied by technological changes will encourage savings and also use economies of scale in production.

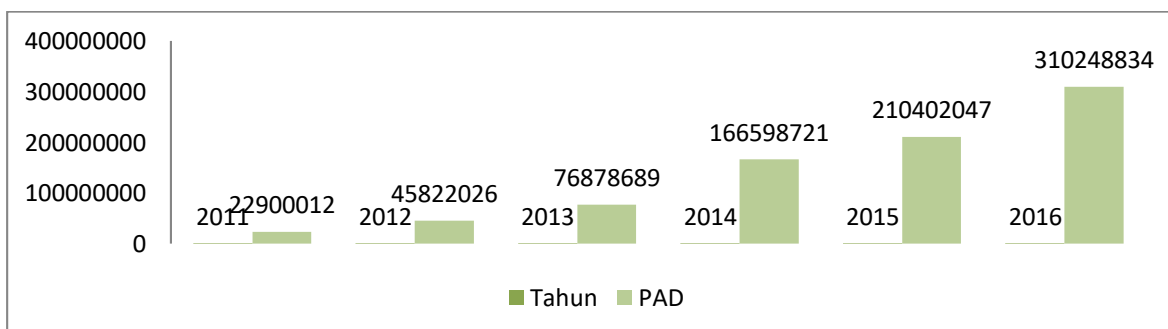
Population addition is something that is needed and is not a problem, providing an important element that can spur development and economic growth



Source: Sadono Sukirno, 2004 in Kusri, 2015

**Gambar 1.2. Kurva Hubungan Antara Jumlah Penduduk dan**

Figure 1.2 shows that "the higher the level of population growth, the higher the level of income received because it will increase the level of public consumption, and will be followed by an increase in production so that it will result in the expansion and establishment of new businesses in the production sector. The establishment of a new business sector will increase the workforce or open opportunities for job opportunities for the community so that if many people work then income will increase and tend to increase regional income as well. the population from JP0 to JP1 causes income to rise from Y0 to Y1 because of  $Y = C$  (Adi Hartyanto, 2014)".



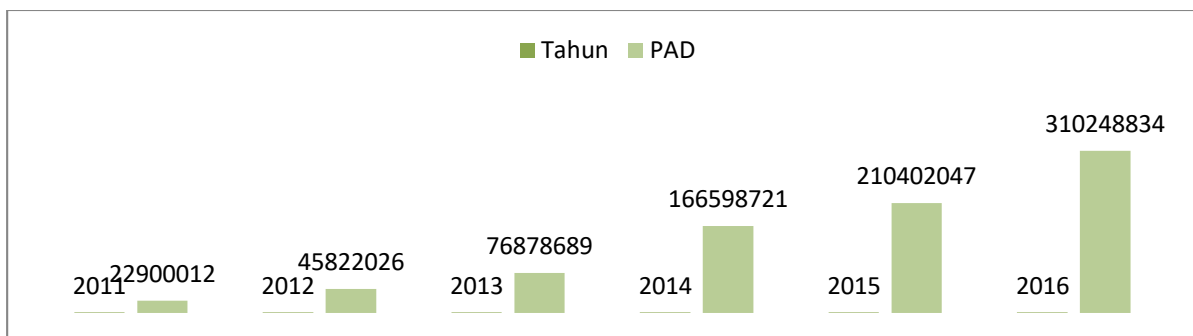
**Figure 1.3. Total Population of Pidie in 2011-2016**

The population in Pidie Regency increases every year as an illustration. In 2011 the population was only 380 thousand people, while in 2014 it increased to 410 thousand people or increased by 2.32 percent per year and in 2016 it had reached 425 thousand people.

## Investment Development

According to Government Regulation No. 24 of 2005, investment is the placement of a number of funds and / or goods by the central government in the long term for investment in the purchase of securities and direct investment, which is able to return the principal value plus economic, social and/ or other benefits within a certain period of time. Regional investment can be budgeted if the amount to be budgeted is included in the relevant budget year stipulated in the regional regulation regarding investment capital participation. The amount of investment in regional capital has an impact on regional government spending.

The Pidie Regency government investment from 2011 to 2013 had no significant (stable) increase or decrease. In 2014 it increased until 2016 with 170 billion reaching 205 billion rupiahs. This shows an increase in investment in the Pidie government.



**Figure1.4 Pidie Investment in 2011-2016**

## The Development of Locally Generated Income

Law No. 33 of 2004 Article 1 states that “PAD is revenue received by the region from sources within its own area which are collected based on regional regulations in accordance with applicable laws and regulations.”Based on a number of theories that have been mentioned regarding PAD, it can be concluded that PAD is regional revenue obtained from extracting regional potential in accordance with applicable legislation.

PAD is revenue received by regions from potential sources within the region itself, collected based on regional regulations and in accordance with applicable laws (Djaenuri A, 2012). Following is the development of Pidie’s PAD. These developments can be seen in the following figure:

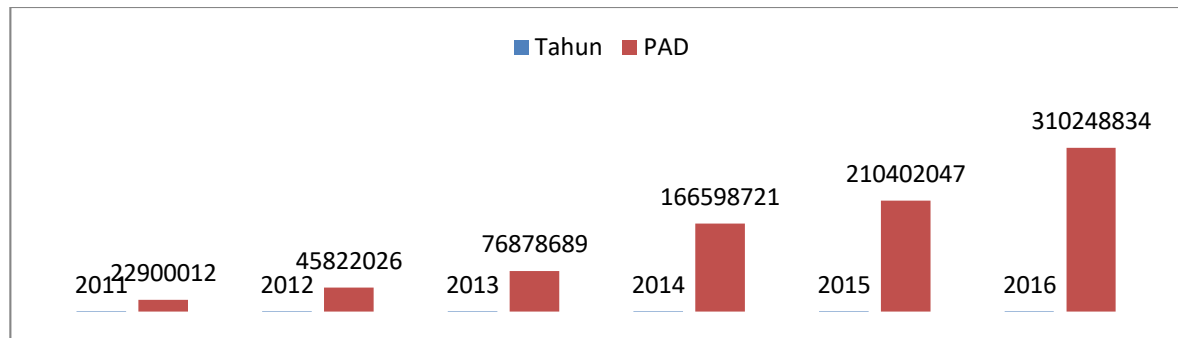


Figure 1.5 PAD of Pidie in 2011-2016

Based on Figure 1.5, Pidie's PAD can be seen that in 2011 where Pidie's PAD was only 22 billion rupiahs and increased in 2013 to 76 billion rupiahs, a significant and drastic increase occurred in 2014 which reached 166 billion rupiahs until 2016 to 310 billion rupiahs.

### Model Estimation

This test aims to test significantly from each independent variable on the dependent variable. If the significant level obtained (p-value) is smaller than 0.025 then the hypothesis is rejected or with  $\alpha = 5\%$  the independent variable is statistically related to the dependent variable.

Initial Model :  $\text{LnY} = \alpha + \beta_1 \text{LnPDRB} + \beta_2 \text{JP} + \beta_3 \text{LnINVESTASI} + e$

Result :  $\text{LnY} = -86.70 + 6.27 \text{ PDRB} - 0.05 \text{ JP} + 0.61 \text{ INV} + e$

From the results of the estimation of the output above, if the GRDP, population, and investment are considered constant, the PAD is -86.7 percent. PDRB variable regression coefficient ( $\beta_1$ ) of 6.27 shows that if the GRDP increases by 1%, PAD will also increase by 6.27%. In other words, the variable of population and investment are constant. The results of this study are in accordance with the formulated hypothesis, which if there is an increase in GDP, it will increase PAD (Terima  $H_1$ ).

The variable population regression coefficient ( $\beta_2$ ) is -0.05. If the population increases by 1%, PAD will decrease by 0.05% in other words GDP and investment variables are constant. The results of this study are in accordance with the hypothesis formulated (Terima  $H_2$ ). The investment variable regression coefficient ( $\beta_3$ ) is 0.61, which means that if the investment increases by 1%, PAD will also increase by 0.61%. Investment is one of the sources that can increase PAD in an area, it can be seen by the existence of investment, it will absorb labor and increase human resources so that people's income increases, purchasing power increases so that it will also increase PAD.

## The Test of Significance

### Simultaneous

The results of the F test in this study obtained an F-statistic value of 53.86 with a significant level of 0.0000. While the value of F-table with a significant level of 1% and  $df = (k-1) (nk) = (4 - 1) (60 - 4) = (3) (56)$  obtained F-table value of 2.77 and F-statistic values such as seen Table 4.4 above amounted to 53.86, thus  $F\text{-statistics} > F\text{-table}$  or  $275.36 > 2.77$ , meaning that together the GRDP, population and investment variables influence the GRDP of the Pidie Regency government. This can also be seen from the Probability (P-value) of  $0.0000 < 0.01$ .

### Partial

The results of partial hypothesis testing can be done by looking at  $t_{\text{tabel}}$  compared to  $t_{\text{count}}$ , or by looking at degrees of freedom (df):  $(n-k) = (60-4) = 56$  at alpha 5% is  $1.67252 \approx 1.67$ . The partial test results are shown in Table 4.5 above and the results can be traced one by one between them:

1. PDRB variable regression coefficient ( $\beta_1$ ) is 6,077. Because  $t_{\text{count}} > t_{\text{table}}$  or  $4.81 > 1.67$ ,  $H_0$  is rejected and  $H_1$  accepted, which means that GDP has a significant and positive influence on PAD, with the provision of variable population and constant investment (*ceteris paribus*). This can also be seen from Probability (P-value) of  $0.0000 < 0.01$ , this result is in accordance with the hypothesis formulated or accepted hypothesis 1.
2. Variable regression coefficient number of population ( $\beta_2$ ) is -0.05, because  $t_{\text{count}} < t_{\text{table}}$  or  $0.06 < 1.67$ , so  $H_0$  is accepted and  $H_2$  rejected, which means that the population does not have an effect and is not significant and to PAD, with the GRDP variable provisions and constant investment (*ceteris paribus*). This can also be seen from Probability (P-value) of  $0.95 > 0.05$ , this result is in accordance with the hypothesis formulated and rejects hypothesis 2.
3. Investment variable regression coefficient ( $\beta_3$ ) is 0.61. because  $t_{\text{count}} < t_{\text{table}}$  or  $0.29 < 1.67$ , so  $H_3$  is rejected dan  $H_0$  accepted, hich means that investment does not have a statistical effect and is not significant for PAD, with the provisions of the GDP variable and the constant population (*ceteris paribus*). This can also be seen from Probability (P-value) of  $0.77 > 0.01$ , this result is in accordance with the hypothesis formulated and rejects hypothesis 3..
4. The dummy variable coefficient (-0.99) with t-count of 1,87 is greater that t-table 1,67 s greater than t-table 1.67 and significant at 10 percent alpha. It means that there are differences in PAD results from before and after division in Pidie -0.99 percent lower than before the division. This is in accordance with the theoretical reason because the data used is static data (short term)

because, with the formation of the new administrative region, the elements in regional original income are also divided into two parts from the parent regency to the new regency.

### **Coefficient of Determination ( $R^2$ )**

Based on the results of data processing, it can be seen that the coefficient of determination of Adjusted R-square is 0.93 (93%), meaning that GDP, population and investment have a strong correlation with PAD in Pidie government at 93%. While the rest (7%) is influenced by other variables outside the model that were not included in this study.

### **Research Result**

The use of panel data analysis in this study is aimed at looking at the impact of population, GRDP and inflation in the Aceh Province for the period 2011 - 2016. The results of elaborating panel data with the Pooled Least Squares system are obtained as follows:

$$\log \text{PAD}_{it} = -159.4326 + 21.92094 \log \text{JP}_{it} + 5.314501 \log \text{PDRB}_{it} - 0.023161 \log \text{I}_{it} + \mu_{it}.$$

From this regression equation, there is a constant coefficient of -159.4326. It shows the existence of other variables that also affect the PAD in Aceh Province. But it is not included in the equation model.

### **The Effect of GRDP on PAD**

The results of the analysis show that the GRDP variable has a positive and significant effect on PAD in Pidie. The regional financial coefficient on GRDP is 6.27. This means that if the GRDP increases by 1%, it will increase the PAD by 6.27%, on the contrary, the lower the GRDP, the lower the local revenue will be. GRDP is the net value of final goods and services produced by various economic activities in an area within a certain period. GRDP is one indicator of the success of economic development in a region or region, Sukmaraga (2011). The existence of a positive relationship between GRDP and PAD means that, in Pidie, there is an increase in regional development, with the implementation of development in each sector, it will increase the income of the region. This happened because of the ability of the people of the area to finance their government development expenditures or in other words the Pidie community was productive in distributing goods

or services. The results of this study are consistent with Atmaja's (2009) research, Rahmawati (2013) and Susanto (2014) which prove that GDP has a significant positive effect on PAD.

### **The Effect of Total Population on PAD**

The second hypothesis which states that the population has a negative and not significant effect on PAD is proven. It is shown by the coefficient of -0.05 and p-value t-stat of  $0.95 > 0.05$ . This means that the higher the population, the lower the regional income. Large population and not balanced with unstable employment and economic opportunities will encourage the excess supply of labor. Residents who cannot improve their quality or expertise or skills will be a problem with national production. This can further encourage an increase in unemployment so that it will lead to a decline in sustainable economic growth. The results of this study are consistent with the research of Rahmawati (2013), Purbadharmaja (2010) and Atmaja (2009) which prove that the population has a negative and significant effect on PAD.

### **The Effect of Total Investment population on PAD**

The investment shows positive results for PAD. This result is in accordance with the hypothesis (H3) which says that investment has an effect on PAD so that H3 is accepted, this is indicated by a coefficient of 0.61, which means that if the investment increases 1%, PAD will increase by 0.61%. An area is said to have succeeded in carrying out autonomy if the area has a good level of independence. The level of independence can be seen from the extent of regional dependence on the central government with PAD that can be produced by the region. Bastian (2006: 342), states that one of the economic indicators for the success of a region in carrying out autonomy is the tendency of an increase in investment both foreign investment (FDI) and domestic investment (PMDN).

In this study, it was found that even though the results were positive but not statistically significant this was due to the fact that Pidie had good quality agricultural products such as cocoa and areca nut commodities, but it was in vain if no one could process it to improve people's welfare. Therefore, cooperation with foreign and domestic private sectors is needed to be able to process natural resources into something that can generate regional income. The existence of various investments did not escape from the enactment. The effects of government investment may be seen from the taxes that investors give to the government, in addition to the effects on regional development and employment opportunities for the local community to be better. The Pidie Government is too close to investors. If the government has regulations and agreements that will not harm the region, the presence of investors will be beneficial to the region, especially if it can increase the amount of PAD..



## **CONCLUSIONS AND SUGGESTION**

### **Conclusions**

Based on the results of research and hypothesis testing that has been done, the conclusions obtained are as follows:

1. GRDP and Investment have a positive influence on PAD, in the analysis, it is proven that with increasing GRDP and investment it can increase PAD in the Pidie area.
2. The population has a negative influence on PAD, the results are in accordance with the analysis stating that with the increase in population, it will lead to an excess supply of labor that is not absorbed by the workforce market in Pidie.
3. There is a difference in the original regional income before and after the expansion after the division of PAD received by Pidie is smaller than the PAD before the expansion.
4. GRDP, Total Population, and Investment jointly affect Pidie's PAD. In a proven analysis that GRDP, Total Population, and Investment jointly influence PAD of the Regency with a significance level of 5%.
5. The financial comparison of Pidie's PAD is not better in the period after the formation of the new administrative region compared to before the formation of such region. It is indicated by the negative dummy variable coefficient value.

### **Suggestions**

Based on the results of the research and conclusions above, the suggestions for related parties are as follows:

1. In order for PAD to increase, efforts need to be made to increase the value of the investment. Steps that can be taken include creating a conducive climate (for example by facilitating licensing procedures) for the implementation of various investment projects. Economic stability and security are important factors that ensure investors invest in Pidie. In addition, various kinds of incentives are sought from the regional government.
2. For local governments, it is recommended to evaluate the performance of their government so that it can increase regional income, one of which is through a collection of regional taxes and regional levies. The results of the study show that the formation of the new administrative region has not been able to achieve the expected targets so that the government's performance should be improved.

3. The government must be more careful in budgeting how much it costs to realize all the income it receives so that it can be seen whether the revenue collection activities are efficient or not. This needs to be done because even though the regional government has succeeded in realizing revenue receipts according to the targets set, the success is less significant if it turns out that the costs incurred to realize the revenue target are greater than the realization of the income it receives.
4. Policies in the area of regional finance need to be carried out in an effort to support the sustainability of development by improving management capabilities and financial resources that are reliable, effective and efficient. This policy was implemented to support equitable development and maintain economic stability.
5. For further researchers, they can expand the place and time of research, and by using other measurement tools/ ratios as financial analysis tools for the local government.

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