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Does Funding Decentralization Can Influence The Local Economic Growth?

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Abstract

Experiences often by many countries slowing economic growth as a result of central government-centered funding policies. The concern about slowing economic growth is motivating the need for a decentralized approach to development funding to foster economic growth. The research aims to describe the policy influence of decentralizing funding sources between central and local governments to boost economic growth in East Java. This research method uses an explanation design with a quantitative approach. Data panels are collected from 38 cities/counties from 2009 to 2018 years, in East Java, with analysis using regression technique with SPSS version 23. This study showed that the decentralization of funding sources could significantly increase local economic activities and affect the increase in regional economic growth. Increasing local economic activity can substantially increase economic growth. At the same time, local economic growth can significantly increase society's welfare in East Java. These findings remind the importance of the policy that decentralized funding will contribute positively to the growth of local economies. More importantly, if the local government regulates the sources of fiscal income and effective expenditure, decentralized funding will encourage the growth of the local economy, eventually improving the welfare of the people in East Java.

Keywords: Funding Decentralization, Regional Autonomiy, Local Economic Growth, Welfare Society.

JEL Classifications: E6, O1.

Introduction

Structured and functioning of local government has a greater role in facilitating the prosperity and stability of nations. The power of local government structure in itself depends upon the institutional design that distributes the power and functions among the different stages of governance. Ganaie et al. (2018) says, at the important functionality that depicts the depth of a regional is the mechanism by which the funding responsibilities are shared by these levels of government. Furthermore, a greates to deal at political and economics decentralisation have taked place in the development of the world.

Funding decentralization may be indeed has a direct effect in economics development but the theoretical underpinnings for this relationship remain largely undeveloped. Martinez-Vazquez and McNab (2003) says, implement fund decentralization programs on the basic of improving the rate of economic growth. In the fact, funding decentralization simply means empowering local source to collect their own taxes, on expenditure and investment activities

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among others independent of the central government, with the degree of autonomy varying from countries. The better knowing about mechanization through while funding decentralization can be leading for growth in economy efficiencies for the calling funding decentralized theories. In the fact, right to information foster advanced and a more insightful in the preferred from citizenship, regional governance and more capabilities and national governance for the province of social good or social services to the needed for local society. According to Rodriguez and Ezcurra (2010), if about to possible economy enhancement link to the funding decentralized to increase the better and the more about heterogeneous of country. Furthermore, in homogeneous country for to information about profit and benefited for conducted policy and provided public expenditure or social service governance in the counties and cities. Enhancement of funding decentralized increasing for internalization of heterogeneities made the individuality preference better to diversified for increased local economic activities.

The province East of Java very interested to implementation of funding decentralization for increased local economic growth with goal to foster welfare society. According to BAPPENAS (2004), East Java province is keen to implement decentralized funding for the increase of local economic growth with the aim to encourage welfare society. According to BAPPENAS (2004), East Java is a province that has the largest autonomous region in Indonesia. For that province it is interesting to research the impact of decentralized funding on the economic growth. Although it has the largest region in autonomy, it also has differences in region characteristics and faces various problems. According to the Central Bureau of Statistics (2015), an indicator of economic development in East Java was strengthened by some research that results showed that fiscal decentralization brings better economic growth. This is different from some other provinces that indicate it has not been able to bring towards better economic growth. In fact, there is a view that the decentralization of funding in Indonesia is only related to the relationship between central and local governments without a positive influence in the economic growth.

Funding decentralization is very supporting toward local economic growth in East of Java, Indonesia. According to Morozov (2016), theories and practical experiences known that local economic activities is correlation with funding decentralization policy and to increase local economic development. Regularly of this local economic activities, in the Number 32, year 1999 explained about law of regional autonomy, were revised in Article 33 to 34 of Act No. 33 of 2004 include local economic activities in regional government. Felix (2015) says, the use of local economic activities, can be foster local economic growth. Therefore, funding decentralization should get priority for manage budget and expenditure government for flexibilities to local economic activities. In addition, East of Java is needed to improved and to increased about local economic activities for local economic growth.

According to Baskaran et al. (2016), literature theories of funding decentralization has indicator several channels through which governance decentralisation can be effects in the economics development. Policy of funding decentralization in East of Java, can be support toward local economic activities, so will be foster local economic growth. Rabe et al. (2014) say management funds in regional autonomy implementation is effective to increase local economic growth in regional government. According to Rodriguez and Ezcurra (2010), if argumentation of backed that potentially is positive correlation between funding decentralized and economy performance is base in the chapter of simplified premises. Funding decentralization policy can be simplified to manage funds and economic activities, with hope can be increased local economic activities and than can be improving for local economic growth. So, research about funding decentralization in East of Java is very importance to foster local economic growth through increase local economic activities for welfare society. However, Ministry of Finance (2017) says, the interaction of funding

decentralization and the dynamical of local economics developing is still not clear, so decentralisation leads for the faster dividends for developmental reform in better areas, with national allowances.

Urgency of this research, can be provide useful explanation about information of funding decentralization policy in the specifies assessment which to preferenced of currently and funding to public expenditure between regional and crossing countries in the East of Java for mattered of local economics development, focused in the precised about impacted of decentralization of economics development, and welfare society. How much importance of funding decentralization for increase local economic growth, will be explanation in this research. Policy of regional autonomy can be simplified to manage funding in the counties and cities with hope to increase local economic activitically and can be local economics developemnt in the East of Java.

Literature Review

Funding Decentralization

Theories of the funding decentralized have intended for better in the support of positived the impact in granted the greating finance autonomous and transfered resourched to sub-national stage of governance between allocating and producing efficiencies and economics development. According to Rodriguez and Ezcurra (2010), the argumentation in the back of the potency positived correlation both funding decentralized and economy performed is base in a stage of simplified premised. In the fact, about premised in this funding decentralized implication for mobilized of resourcing. Regional governance, for the simply factual and to be greating autonomous of funding, is complement for mobilized the resourcing in they territories, fathermore waiting for solution and for the provisioning of social assets and social serviced to become for a central governance, and better remoted, and authorities. The leading to the greater emphasised in economy efficiencies crossing regional and local territories any given countries or the tapped in otherwised maybe has untapped potency.

The possible economy enhancement linked to the funding decentralized theories for increaing of the large with the more about heterogenities in countries. However about smalled of homogenous country for information profit and the benefit for conducted policy and provided social assets and social services in the regional area maybe are limited, the enhancement of funding decentralized to increased are internally heterogen made individually about preference and more diversed. Perspective of this potential, can be significantated profit and benefited for funding decentralized have be able full expectation and a certained countries.

Decentralization can be brings in potential profit and benefits where situation economics of scale existences. It the case the about that is often the costing from produced was certained publics expenditure and tendeds to rised significant which sized. According Andreas and Oriol (2019), funding decentralisation is defination as local about spending on educations, healthy or society protect as a shared of generally governance spending in each policies respective. In this particular that is true if the deliveries of public expenditure and social service is done by larged, the remoted and often not efficiencies for central bureaucracy. They bureaucracy are frequently less good to suite to delivery specifics public expenditure better efficiencies and than the better supple regional governsnce, are consequences of they closed to the peoples and they morer knowing of they needs. Local deliveries also shorted supplies chains and alleviation costs, potential for generating greater economics efficiencies and event alleviation to the risks correlated with the losses of distributive powered of the centrals governance (Ezcurra and Pascual, 2008). However, the interaction about decentralisation

toward local economic developing dynamica remain unclear. According to Hill and Vidyattama (2016), funding decentralization leading to a reformation in divide of better fash to mor development in local government, with attendance national profitabilities and benefits. The impact from spatial equality is very determinant to increased local economic growth.

Literature theoreies about funding decentralisation have indicator similar the channel where governance decentralisation can effectly local development economics. According to Baskaran et al. (2016), most of the theories about funding decentralisation take to focused in the efficiencies aspect of the provisioning of public service decentralisation, and than funding decentralisation can be foster economics development by enhanced the abilities of the political systemic to innovative and implement reformations. In cases, some experts gived the argumentation for funding decentralisation to foster government ineffective and inefficiencies, and hereby can alleviation growing. The some research has sought to identifies the decentralized effect on development economics in the empiric for over the post two decades. However, the between decentralisation and the dynamica of local economics growth have relationship remained unclear. Decentralization leads to a faster dividend development reform in the better of the Regionals government, with a national allowances officer.

Hypothesis 1. Funding decentralization will cause more to local economic activities.

Local Economic Growth

Economic growth may cause living standards to improve. Growth is the fundamental objective of a society because it lifts people out of poverty and enhances the quality of their lives. In particular, Subroto (2015) says, ensuring steady economic growth is very important to build long term poverty reduction. Briefly stated, positive improvement in macroeconomic indicators are influenced by positive rates of economic growth. However, economic growth may also erode traditional values and lead to exploitation, environmental destruction, and corruption (Case et al., 2011). Therefore, examination of the economic growth across countries has become one of the important study subject over the last decades (Deliktas, 2016). Economic growth is mainly depends on having more resources or policy of macroeconomics, using available resources or policy of macroeconomics, more efficiently, technological change (or advance), and good governance. Therefore, the main aim to analyze the relationship between regional autonomy efficiency and economic growth, the input efficiency and its effect on economic growth have recently received a great deal of attention from academia. Input efficiency analyses are generally studied by academic or expert and are aimed to optimize the regional policy and economic growth, is mutually effect for welfare society.

The relationship between regional autonomy and economic growth has been theoretically sinergys supported. While conventional wisdom predicts a growth-enhancing effect of autonomy, recent developments suggest that policy autonomy is not always beneficial to economic growth. Zahonogo (2016) says, to foster economic growth by policies the diffusion of resources and economic potencial in the regional. Traditional policy theory predicts growth gains from regionaization at the country level through decentralization, specialization, investment in innovation, productivity improvement, or enhanced resource allocation. The role of autonomy policy in economic growth has been a key matter of debate in the growing theories. The neoclassical growth models consider regional autonomy change as endogenous and support that, consequently, autonomy policies can be impact in economic growth. However, new economic growth theories assume that policy change is an endogenous variable and that regional policies can be combined with those on welfare society.

It remains open to question whether policy of decentralization or autonomy regional

drives economic growth or economic growth drives policy about decentralization policy. Of course, there is also the possibility that the two variables are mutually causal. According to Messaoud (2014), numerous potential growth determinants have been identified over the years. The interaction of decentralization regulations toward economic development is very mutually benefited and provided. A number of studies does not deal with the effect of decentralization regulation on economic growth directly but instead focuses on the effect of decentralization regulation on one of the economy development drivers. In the current economic policy, growth remains a key government priority. The literature on economic growth has turned to the effects of country's political, legal, economic and social institutions on wealth and long-term growth.

Hypothesis 2. Local economic activities will lead to increased local economic growth.

Welfare Society

Welfare society is a complex functional system of relationships which incorporates certain values, objectives, intentions, the general program of tool and local government, and the implementation of one or another attitude to definite conditions of behavior and activity. Dimension of welfare form the system of objective and subjective relations to ontological spaces all people are involved in. According to Anikina et al. (2015), the suggested model of welfare studying and estimating, the source of activity and development economic to cross-systems interactions. The specificity of subdominant can be found out through the content of emotional and estimating grounds that additional a multidirectional society to the subject behavior. The interconnection and combination of these components define the degree of implementation of man's demands, stability of the social status, life satisfaction, confidence in future, emotional attitude to being. Welfare society is model being designed considering the existing international approaches and national or regional characteristic features. This will provide a wide use of this model at national and regional, or local levels and also the qualitative analysis of the major welfare parameters for all peoples in the world.

Increasing economic activity could imply future costs, costs that must be paid sooner or later. The payment of these costs are more likely to become accumulated over generations like debt. So, a share of production output must be used to offset the costs of economy activity and defensive costs. According to Marques et al. (2016), share of production output must be used to offset the costs of economy activity, the so-called defensive costs. Private consumption measures society's wellbeing through the available income of families, because the acquisition of more money by wealthy families creates less well-being than it does for poor families.

The modern international models of welfare and those of all people are represented by integral indices based on socioeconomic. Mankiw (2009) says, objective indicators, and, partially, on data of sociological inquires that reflect the subjective estimation conducted in many countries of the world. International indicators and rankings of all people welfare estimation, their comparison, enhancement and disenchantment are described in many scientific papers. (Sebnem, 2010). Integral indices denote the ratio between the set of phenomena comprising heterogeneous, disparate elements and are used to form suitable and efficient methods and tools for measuring phenomena of any nature including socioeconomic. Integral indices allow the unequivocal interpretation of the phenomenon under study and are valuable both from research and management points of view. In the theory of the development of man and other related fields of economy such local economic, quality of living, poverty, and health.

Hypothesis 3. Local economic growth will be foster economic development for welfare society.

Conceptual Framework

Schematic of thinking in this research is the result of correlation policy about funding decentralization toward local economic activities and local economic growth for supported welfare society. Than, it's can be used to describe about role of funding decentralization policy to accelerate development economics in local or regional area in East of Java. Schematic of this research will be clarify about conceptually thinking in figure 1 as follows.

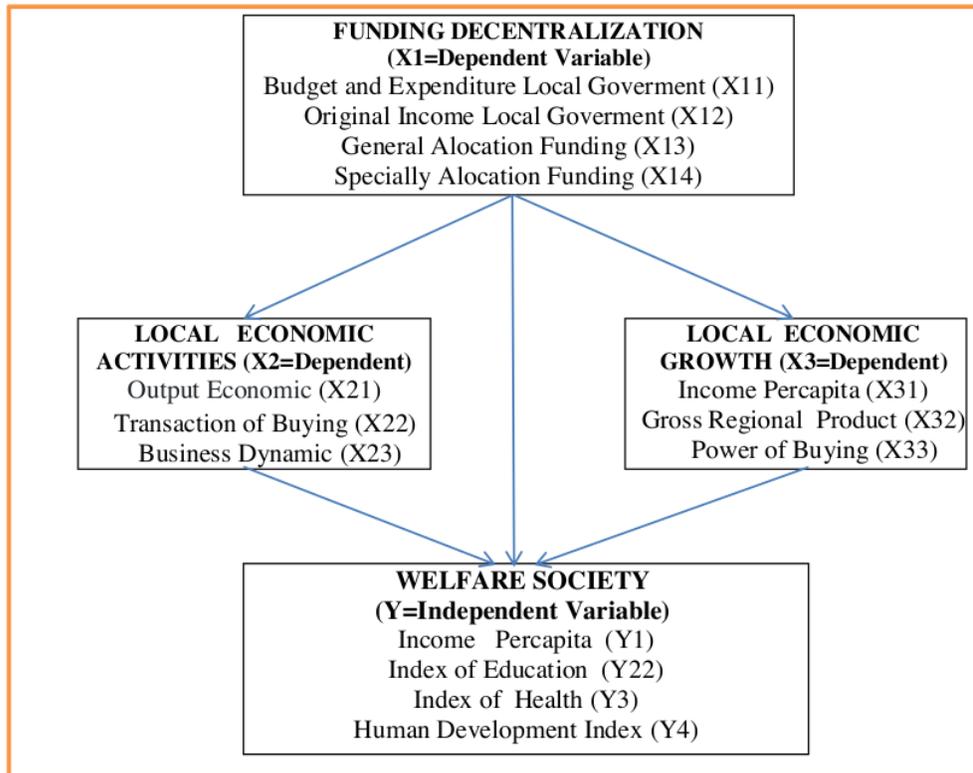


Figure 1. Conceptual of Thinking in the Research
Source: Research finding.

Methods of Research

This research used explanatory correlation of variables of funds decentralization, local economy activities and local economic growth of 38 countries /cities in East of Java. The counties and cities on East of Java is: 1-Pacitan 2-Ponorogo 3-Trenggalek 4-Tulungagung 5-Blitar 6-Kediri 7-Malang 8-Lumajang 9-Jember 10-Banyuwangi 11-Bondowoso 12-Situbondo 13-Probolinggo 14-Pasuruan 15-Sidoarjo 16-Mojokerto 17-Jombang 18-Nganjuk 19-Madiun 20-Magetan 21-Ngawi 22-Bojonegoro 23-Tuban 24-Lamongan 25- Gresik 26-Bangkalan 27-Sampang 28-Pamekasan 29-Sumenep. Also, the Cities are: 30-Kediri 31-Blitar 32-Malang 33-Probolinggo 34-Pasuruan 35-Mojokerto 37-Madiun 37-Surabaya 38-Batu. Counties and cities in East of

Java, as well as increasing local economics growth to improve welfare society. In this studies have design as a crossed-sectional studies, because the design crossed-sectional is usually used in with descriptived and explanatories. This studies used secondary data's with collective from the Centered of Bureau Statistic (BPS) from counties and cities in East of Java and other institutions related to the study. Research variable is independent and dependent variables. Independent variables are: (1) Variable of funding decentralization in correlation to local economic activities (2) Variable of funding decentralization to local economic growth. (3) funding decentralization to increase welfare society. (4) funds decentralization with correlation to increased welfare society. According Sugiyono. (2013), the data's analyses use regression analyses and use the help of SPSS 23 version.

Result and Discussion

The empirical results are shown in Table 1 shows the results of the benchmark model. Funding decentralization is shown to be positively correlated with local economic activities. Funding decentralization have supporting to incresed local economic activities, such as: Output Economic, Transaction of Buying and Business Dynamic. Performed used statistic tool with SPSS 23 version, and to showed in Table 1 as follows:

Table 1. Results Regression Test

Model	R	Standard Error			Change Statistics				
		Adjusted R of the R Square	R Square	Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.374 ^a	.385	.136	5.750	.362	6.743	2	38	.002

Source: Research finding.

Note:

- a. Predictors: (Constant), Funding Decentralization, Local Economics Activities
- d. Dependent Variable: Welfare Society

The result of table 1 can be seen in column R and there is a correlation coefficient (rxy) = 0.374 so that it can compare with table R has a significance rate of 5% with n = 38 is 0.220, so knowed a arithmetics 0.374 > R table 0.243. With a probability of 0002, F 6.743 tests of > Ftable 3, 85 and significant are with small and than the significant in the level (α = 0.05), however this result will be conclusion that the decentralized funding variable are simultaneously a significant positive effect on the variables of the local economic activity. So, from the R-Square column The result 0385 means that 38.5% of the local economic activity can be a positive correlation to local economic growth and, carried out used SPSS 23 version, and there can to showe at the table 2 as follows:

Table 2. Results Regression Test in Model from Summary

Model	R	Std. Error			Change Statistics				
		Adjusted R of the R Square	R Square	Estimate	R Square Change	F Change	df1	df2	Sig. F Change
1	.492 ^a	.351	.129	5.750	.351	6.856	2	38	.002

Source: Research finding.

Note:

- a. Predictors: (Constant), Funding Decentralization and Local Economics Growth
- d. Dependent Variable: Welfare Society

From Table 2 above description at column R have significant correlation coefficient (R) = 0.492 so can be comparing with R table have the significant level of 5% with n = 38 is 0.220 so knowing with arithmetic $0.492 > R_{table} 0.220$. In this case, with a probability of 0.002, F 6.856 tests of > Ftable 3.51 and (2-tailed) are small and than with significance level ($\alpha = 0.05$), with the result that be conclusion if decentralisation funding variables are simultaneously significant positive effects in the local economics growth variables. And from, the R-Square column of the result 0.351 means that 35.1% of local economic activities can be a positive correlation to the growth of local economies and the remainder 64.9% are influencing from variable other and not include from this studies.

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Table 3. Results Regression Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients		Sig.
	B	Standard Error	Beta	t	
1 (Constant)	32.927	7.991		4.121	.000
Funding Decentralization	.262	.073	.382	3.527	.001
Welfare Society	.230	.095	.236	3.335	.004

Source: Research finding.

Note:

a. Dependent Variable: Funding Decentralization, Local Economic Activities, Local Economic Growth.

d. Dependent Variable: Welfare Society

In the table 3 above, from the constant and simplified regression coefficient are obtaining at column B, seen there have linear regression equation is as follows $Y = 32.927 + 0.262 X_1 + 0.230 X_2 + \varepsilon_0$. The meaning of this result, if a decentralisation variable is funding upgrade of unity, this result will in a foster local economic growth of 0.262 units, if the local economic growth variable is one unit, then it will result in an increase of the welfare community by 0.230 units, by discussed if these variables no influenced on the variable independent X1 (decentralization funding) and X2 (local economic activity), community welfare.

Data about result in the table 3 can be clarify for decentralized funding $t = 3.527$ with a probabilities values of 0.001 and comparing with in R-table at a significant rate of 5% with n = 38 $T_{Test} 3.709 > T_{table} 1.991$ and significantly small and than the significance level ($\alpha = 0.05$), until the implication coefficient X1 (decentralized funding) with variable Y (community welfare) has a significant correlation. As for local economic growth $T = 3.335$ with a probabilities values of 0.004 and comparing with the R-table at a significant rate of 5% with n = 38 $T_{Test} 3.335 > T_{table} 1.991$ and significant smaller than the significant level ($\alpha = 0.05$), and than the correlation coefficient of X3 (local economic growth) with variable Y (community welfare) is significant.

Discussion

Regarding the impact of decentralized funding at local economics activities, local economics growth, and the foster in the welfare society's results showed that regardless of whether the provincial and city samples in East Java were utilized, decentralized funding was initially improved but ultimately withheld local economic activity and local economic growth. Analysis with the accountability and political economy towards public financing for public welfare, the intensity of this policy for public finances seems to be stronger when the policy of regional autonomy when it becomes a regulation for local economic activities. (Aviral, 2014; Baskaran et al., 2016). A logical conclusion, is that higher accountabilities and increased public finances have been proven to occur with decentralized funding, and some are

not necessarily leading to the activities of economic freedom. Generally of this studies about correlation the funding decentralization, and simplified managing public financial, can be foster local economic activities, so there are all of variables given a positive correlation effect to increased the local economic growth of regional autonomy policy in counties and cities. That are showed, if the funding decentralization policy can be able to increased welfare society.

Correlation Funding Decentralization Toward Local Economic Activities

Preferred to public expenditure to the determinant of public expenditure is expectation for has a higher impacted at sequential development. However, preferred for public expenditure may be determinant in economics development. Its showed at figure above, about resulted in that analyses allowed to partially qualified our previously finds. According to Andreas and Oriol (2019), with respected to the degree of decentralized of currently expenditure, our estimated reveal the presenced of an inverted shaped linking between there variables and economic development. The causality under studies is positived if the level of decentralized of publics expenditure to increased for related lower level, but beyond a certain thresholds it turned negative. Martinez-Vasquez and McNab (2007) says, that raised the possibilities of used the decentralized of public expenditure at a meaning to increased economic development at the relatively central country, but also highlight the economics risk correlation with increase at public expenditure on highly decentralized country. According to Park et al. (2019), Strengthening local taxation power, a decentralised income can better serve the purpose of local economic development than simply loosening the restriction of inter-governmental transfer, because of the public expenditure that determines decentralized funding. Boccellaa and Salerno (2016) said, at the city and district level, however, no Pro-growth effect exists; We instead find partial evidence in favor of inverse causality – economic growth for democratic in decentralization. To contrast about it, resulted in the existing decentralization rate of budget expenditure doesn't not given any proof non-linear related to development. (Irfan, 2008; Irina, 2015; Ivankina and Lotova, 2013) on the coefficients of this variable it is all negative cases and statistical significance, as is the case with a decentralized funding measurement employ.

According to Jafari Samimi et al. (2010), they are finding that fiscal decentralization has a positive effect on Iran's economic growth. An important feature of public expenditure is that the function and the relative expenditure of the stocks of the subnational government vary greatly from country to country and they reflect tradition and inertia as many or more of the best principles. On the other hand, another dominant characteristic of developing countries is the concentration of education and health expenditure on the subnational level divided by many other countries, especially in terms of education. The division of public expenditure between currently and budget expenditures affected the coefficient of politically and administrative decentralized. According to Schneider's (2003) indexing, the degrees of politically decentralized now showed to exert a positive influencing at economic development, whole the degree of administrative decentralized is not statistical significant in more case. At this correlation of politically decentralized in the economic development is sensitives for the choiced of indexing used. According to Hooghe (2008) indexed, the impacted of politically decentralized is marginal negative or significantly, which controlled for the funding decentralized of current expenditure, is positive and significant, when controlled for public expenditure (Table 1). At in the cases of the resulted reported in Tables 2 and 3, the effected of this variables from economics growth is contingencies at there measurement of decentralized use regulating. (Ahmad, 2013; Dobrovič, 2016; Daniela, 2016).

Correlation Local Economic Activities To Foster Local Economic Growth

Preferences for funding decentralization among regional governments affected the linked both politic and funding decentralized and local economics development and that this relationship in once again, contingent in the choiced of indicators. Schneider (2003) says, politically decentralized on positive and significant associating with local economic growth in the counties and cities of territorial and a preferences for funding decentralization on local economics growth. According to Hooghe et al. (2008) indexd, on political decentralized is negative correlaton in economicc performanced in the preferenced for social expenditure, healthy, social service, education and social asset, in the the cases of preferenced not for local economiy development.

Threaded on the fine level or considered about impact of the sub-national sharing in local government can support local economic growth, and welfare society to complete the development economic and welfare society in the regional or conty and cities. These correlation about funding decentralization indicators are included as explanatory variables expenditure, local economic activities and local economic grwoth. According Khuzaini (2006), the estimated carries out of reveal that the coefficient of these variables are positive and have correlation of variables. Todaro and Smith (2014) confirms, the existence of a positive correlation between the decentralized of there type of expenditure and the local economic activities. There are, the level of decentralized of expensidured on local economics activities correlation with local economic growth. And than, the empirically evidences supply in Tables 3 and 4 suggested the present of a the linear linked between there measurement of funding decentralized and local economics growth performancin at the East of Java.

The basic argument of economics for decentralized funding is that it can provide greater economic efficiency in the allocation of resources in the public sector. Under the assumption that public officials respond to their constituent desires, local governments are more able to match these preferences, especially when these preferences differ across jurisdictions. According to Bakaran and Feld (2013), there is an advantage in efficiency on the increase if the taxpayer is mobile because they can migrate or sort live Selve among the most suitable jurisdiction for those who prefer tax expenditure. Preference for differences in public spending across regions or individuals, the level of wellbeing achieved through the provision of public goods that are uniform by the central government is lower than can be achieved with decentralized provisions that allow for differences across jurisdictions. According to Odero (2004), decentralized funding is a concern that is diverted from the expenditure function and the source of tax revenue between different levels of government. Regional governance can play an important Roling in an efficient, there is a broad consensus that the purpose of redistribution of income and macroeconomic stability is better pursued by the central or regional government. Government activities in the market economy are primarily justified by the failure of private markets in suppressing public expenditure and externalities, and the provision of public expenditure, with the public sector, can generally increase with decentralized funding.

Correlation Local Economics Growth To Increased Welfare Society

Local Economic activities is the purpose to foster in local economic growth. The funding decentralization policies in regional governance is for simplizied budget management and gonernance public financial to matching with priorities local economic activities. Overall local economics activities in the regional autonomy policy conducted has positive influence can be local economic growth. However, this local economic growth policies will adequate

and follow funding decentralization management for better more to effectived and efficient to increased local economic growth, and welfare society.(Anikina et al., 2015; Burret and Feld, 2013; Craig, 2000).

The results reveal that estimated of funding decentralization is positive and statistically significant at level of significance, thereby implying that further funding decentralization will improve local economic growth rate which is in consistency with Bird and Vaillance (2010) and Corinne (2017). It means the positive effect of funding decentralization is so much strong that it out weighs the negative influence due to revenue decentralization. National governments appear to be efficient in collecting money while subnational governments appear to be more efficient in spending it. Besides that, the increased in economics growth due to revenue decentralization may happen because of regressive revenue-raising measures that will obstruct the private investment, redtapism, favouritism and corruption. According Dunnell (2019), it will lead to diversion of resources from the productive to the unproductive sectors of economy.

Though rich states may witness high growth over the period of time, but that may be well below their potential in relation to resource use. According Ivankina and Latygovskaya (2015), the funding decentralization will enhance the infrastructure of states that will incentivize the private sector to increase their economics activities, and hence the rate of economics growth will increase. It will lead to increase in resource utilization especially in the case of regional autonomy policy. Badeeb and Lean (2017) says, funding decentralization and its relationship with local economic growth has been a major focus of discussion in both developed and developing regional autonomy within the context of public financial. In the assumed that funding decentralization would improve efficiency in the local government and local production of public goods and hence local economic growth to foster welfare society.(Soejoto et al., 2015; David and Willet, 2006; Durana et al., 2015; Martinez-Vazquez and McNab, 2003). So, funding decentralization can be increased local economic activities and local economic growth to foster welfare society.

Conclusion

The results of this study show that funding decentralization have significant effect on local economic activities and can affect the increase of local economic growth. However, local economic activities and local economic growth can improve people's welfare. The positive correlation between funding decentralization and local economic growth has been able to significantly and consistently to increased the welfare of the people in East Java. These findings emphasize that the funding decentralization policy usually positively affects the growth of the local economy.

The findings also have some implications for other provinces in Indonesia, in the framework of local wisdom the decentralization policy of this funding is more effective in increasing the local economic growth in its region. The benefits of decentralized funding should be seen relative to spending or shopping for economic development in the region. The central government may be better off when making public investments with externalities in the early stages of economic development. More importantly, if the local government can manage the total fiscal income following the maximum economic development expenditure, with further decentralization of funding to encourage local economic growth, thereby improving the welfare of the people in East Java.

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