Regional Expansion and the Local Community Welfare:A Study of the Effectiveness of 20 Years of Implementation of Autonomy in Indonesia

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Regional Expansion and the Local Community Welfare: A Study of the Effectiveness of 20 Years of Implementation of Autonomy in Indonesia

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ABSTRACT

This study aims to provide empirical evidence on the implementation of autonomy in Indonesia that has been started since the enactment of Law No. 22/1999 on Regional Government. Specifically, this study would like to assess the welfare of the community in the regional expansion, both in the new and origin regions. The population and samples used in this study are all regions experiencing of expansion, both the new and origin regions. During the period 2004-2017, there were about 150 regions hat have been expanded. All of these expanded regions become the research samples. Test of differences in community welfare in new and origin regions is the focus of this study. In accordance with the mandate of Law No. 32/2004 on Regional Government, the expansion of regions in Indonesia aimed at forming new administrative areas, should be able to create better welfare of the community in the region. This study compares the welfare of the community in the area of origin, from before and after the expansion. This assessment is to obtain an empirical finding whether the splitting of the area undertaken has a positive impact on the area of origin. If the welfare of the community in the area of origin becomes better after splitting, then the government's decision on splitting the region is right. Vice versa. For new regions, this study will analyze the welfare trends of the community several years after the area was formed. If the dependence on the central government shows a decline while the welfare rate of the community shows an increase, then the decision of the new regional reconstruction through the split of the region is considered effective. Vice versa. The findings of this study will show which way the implementation of regional autonomy that has been implemented more than 20 years in Indonesia. This issue is very important because it is related to the mandate of Law No. 32/2004 which becomes the foundation of the law of regional expansion, the regional division should encourage the improvement of the welfare of the community

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in which the policy is applied. The potential contribution of this research is to obtain empirical evidence of the effectiveness of regional expansion.

Keywords: Regions expansion, new regions, origin regions, community welfare

1. INTRODUCTION

Based on the Rule of Local Government No. 22/1999 revised No. 32/2004, the goal of government expansion was to increase public services in order to get community welfare. Contrastly, there is a fact that almost 20 years of local goverment autonomy, community welfare not realized as well as the plan. Rahmawati (2010) stated that local government expansion tend to raise several conflicts, such as the geographical border with other local government, their debts, and assets. Furthermore, she also stated that expanding-local goverment performance less satisfied and support local conflict. Fitriani, et.al. (2005) stated that expansion gave them opportunity to did bureaucratic and political rent-seeking, an opportunity to get "money" advantage, both from central and local government it self.

2. THEORITICAL FRAMEWORK AND HYPOTHESIS

2.1. Theorirical framework

This research is based on agency theory and organization change theory. Jensen and Meckling (1976) stated that agency theory explain agency relationship both principal which was having economic resources and agent which was managing and controlling those resources. In the term of government studies, goverment act as agents and the community act as principal. So that citizen have rights to control and congruency their goal and government' goal.Badrudin and Baldric (2015) explained that to control the resources, the citizen force the government to report their perfomance periodically as their resposibility to manage the resources.

Another theory which explained this study is organization change theory. De Korte dan Van Der Pijl (2009) and Boonstra (2003) explained that government organization had big changed by local government autonomy. Government autonomy transform the center of policy from central government to local government which has its own authority and responsibility to manage their interests.

2.2. Hypothesis

Several previous study had found that local government expansion tend to create bureaucratic and political rent-seeking (Fitriani, et.al, 2005), several conflicts (Rahmawati, 2010), less community welfare (Bahrudin and Baldric, 2015), dan low IPM index (Khairudin and Aminah, 2017). Based on their researches, we development hypothesis as below.

Ha: there is significant difference in community welfare before and after local government expansion.

3. RESEARCH METHODOLOGY

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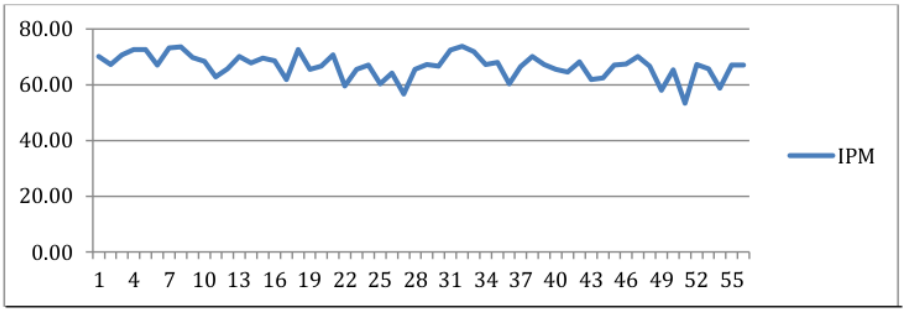
This is research applies all local government which has done government expansion after the Rule of local Government No. 32/2004. We imply IPM index (Human Develompent Index) publised by BPS (Cetral statistic Bureau Indonesia). IPM index is the way to measure human welfare (UNDP, 1990). We use t-paired test to analysis the data.

4. RESULT AND DISCUSSION

After the Rule of local Government No. 32/2004, new local government expansion increase significantly. Based on the data of ministry of internal affairs, there was 56 new local goverment established from 2004-2017. It also create 74 new governmental management in Indonesia. However, 60 of them actually clasified in "medium and low" region. Only 14 of them are clasified as "high" region. Its clasification means that the higher level explain the higher IPM index. In the other words, the higher IPM index means the higher community welfare level. The graphic below shows the IPM index.



Graph 1
IPM index in Expansion-Local Government in 2004-2014

The "high" region based on local government expansion data are district of Pidie, district of Asahan, district of South Tapanuli, district of Labuhanbatu, district of Kerinci, district of Bengkalis, district of Bengkulu Utara, district of Bandung, district of Tangerang, district of Minahasa Selatan, district of Sangihe Island, district of Bolaang Mongondow, district of Tana Toraja, and district of Maluku Tenggara.

As mentuon in the Rule of Local Government No. 32/ 2004, the goal of local government expansion is to increase public service in order to get community welfare. Based on welfare data of BPS (2017), from 2004 to 2017, 74 expansion-local government show that they had increase their welfare performance since their establishment, in spite of only 94% of them are classified as "medium and low". The graphic below shows community welfare in Indonesia expansion-local government.

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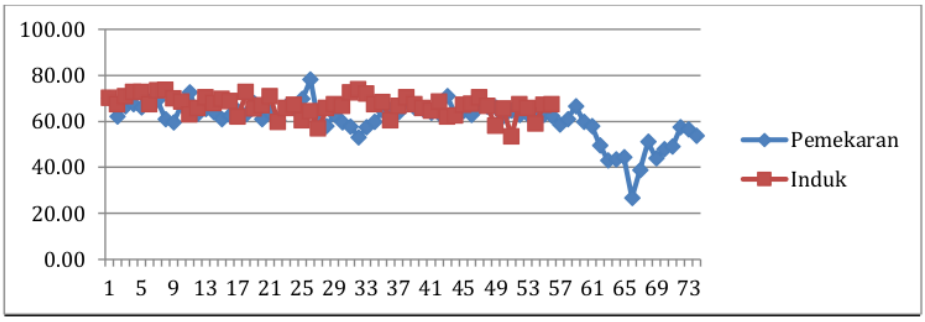

Graph 2
Level of community welfare in Indonesia expansion-goverment in 2008-2017

Hypothesis testing shows that community welfare in parent region by IPM index has no difference before and after expansion. Its significant value is 0,0187 or more than 0,05. Table below describes the result of its test.

Table 1
t-paired hypothesis testing

	t_statistic	Sig*	decision
IPM Index	2.045	0.187	Ha not supported

*)significant at 5%

Based on the statistic result, we inform that the implementation of local government expansion in about 20 years has not yet positively impact on community welfare. Its indicated by they have less precise in deciding expansion of local government. We argue only 7,14 % or 4 expansion-local government properly decided as new local government. They are district of Labuhan Batu in North Sumatera Province; district of Bengkalis in Riau Province; district of Pontianak in West Kalimantan Province, and district of Kolaka in South-east Sulawesi Province. They reported and classified as "high" region after expasion. It means that they can increase community welfare after expansion and realized the Rule of local Government No. 32/2004 goals.

This study also confims of the work khairudin and Aminah (2017) which found that community welfare in the new expansion-local government in Lampung Province in 2009-2015 was not appropriate or less than planned. Moreover, Badrudin and Baldric (2015) also found that in 15 years local government expansion were not yet fully create community welfare.

5. CONCLUSION

This research find empirical analysis that expansion-local government in Indonesia mostly not yet create community welfare. 20 years implementation of local government expansion not yet speed up the realization of community welfare. It also not yet created postive impact on original district. Furhtermore, the result also tell that not at all central government decision on local goverment expansion policy is properly decided. The fact that 94% of new expansion-local government are clasified as "medium and low" in their community welfare performance.

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The recomendation by this research is that both central and local government have to more priority to community welfare when deciding local government expansion. For the next research, we recommend to imply non financial performance to measure the impact of local government expansion.

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