

**THE EFFECT OF LOCAL REVENUE AND REVENUE SHARING ON
ECONOMIC GROWTH IN EAST JAVA(Case Study of District/City in
East Java Province Period of 2011-2015)**

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ABSTRACT

The purpose of this research is to know and analyze whether the General Allocation Fund, Special Allocation Fund, DBH and Local Revenue effect on Slowing Economy districts / cities in East Java. The method used in this research is quantitative method with regression testing panel to test the Redundant Fixed Effect Test (Test Chow), Correlated Random Effects - Test and Lagrange MutlipierHausman Test. variables used in this study is the General Allocation Fund, Special Allocation Fund, Sharing Revenue and Regional Income as independent variables and variable Economic Growth as the dependent variable.

Total population of this study were 38 districts / municipalities period 2011-2015. The results of this study prove that in partial General Allocation Fund and Special Allocation Funds have a significant effect to Economic Growth in the districts / cities in East Java, while the income of DBH and original local no significant effect on economic growth in the districts / cities in East Java. Thus, to the districts / cities in East Java DAU and DAK as a means of equalization Fiscal result of fiscal gap, which needs DAU and DAK an area determined by the needs of local and regional potentials that determine the fulfillment of the composition Economic Growth of districts / cities in East Java.

Keywords: Local Revenue, Revenue Sharing, Generally Allocation Fund, Specially Allocation Fund and Economic Growth

A. INTRODUCTION

Regional autonomy is the freedom or authority to make political decisions and administration in accordance with the legislation. Inside there is a regional autonomy authority of local governments to determine what the needs of the area, but local needs still always be adapted to the national interest as stipulated legislations higher (Lemius, 2015).

Regional autonomy is one form of government decentralization basically intended to to meet the interests of the nation as a whole, is an attempt to get closer destinations governance so as to realize the ideals of a just and prosperous society (Widjaja, 2015). The implementation of regional autonomy is an important focal point in order to improve people's welfare. The development of a region is adjusted by the local governments themselves with the existing potential and characteristic of their respective regions. Regional autonomy has been applied

in Indonesia through Law Number 22 Year 1999 regarding Regional Government. In 2004, Law No. 22 Year 1999 regarding Regional Government have been considered incompatible with the development of the situation and the demands of regional autonomy, so it's been replaced by Law Number 32 Year 2004 regarding Regional Government.

Law No. 32 of 2004 to date have been many changes, the last time was Law Number 12 Year 2008 regarding the Second Amendment to Law Number 32 Year 2004 regarding Regional Government. It can be a good opportunity for local government to prove its ability to exercise authority that is rightfully their respective areas. Forward and whether or not an area is determined by the ability and willingness to implement them. The local government can be free to be creative in order to build their respective regions, of course they do not violate the applicable legislation.

B. LITERATUR REVIEW

In this chapter, the discussion about the definition of some topics in research will be explained.

Economic Growth

Economic growth has two meanings firstly, and most commonly, growth is defined as an increase in the output that an economy produces over a period of time, the minimum being two consecutive quarters. The second meaning of economic growth is an increase in what an economy can produce if it is using all its scarce resources.

Local Revenue

Revenue reception area is very important for local governments to support regional development in order to finance projects and activities area. Based on the Indonesian Government Regulation No. 105 of 2000 on "Regional Financial Management and Accountability" quoted from the book "The set of Implementing Regulations of Law of Regional Autonomy" is the Regional Income is all cash receipts in the period FY area to be certain that the right area (2002 :113).

Meanwhile, according to Abdul Halim, in his book "Public Sector Accounting Financial Accounting Local" Local Revenue is stated that all the reception area in the form of an increase in assets or decrease in debt in various sources in the relevant fiscal year period (2002 : 64). And the definition of local revenue by IASC Frame Work in his money entitled "Regional Financial Accounting" by Abdul Halim is as follows the addition in economic benefits during the accounting period in the form of inflows or increases in assets / assets, or the reduction of debt / liabilities that result in the addition of equity funds than the addition of equity funds from equity funds and their contribution (2002 : 66)

Locally Generated Revenue

Local revenue (PAD) is all the revenue that the area from the sources in his own wilayahnya levied by local regulations in accordance with the legislation in force (Halim, 2004: 96). Regional income sector plays a very important, because through this sector can be seen the extent to which the region can finance the ac-

tivities of the government and regional development. Increased revenue (PAD) absolutely must be done by the local government to be able to finance their own needs, so that the dependence of local government to the central government on the wane and eventually the area can be independent.

Taxes

According to Law No. 28 of 2009 Local Taxes, hereinafter called Tax, is a mandatory contribution to a region that is owed by private persons or entities that are enforceable under the Act, by not getting the rewards directly and used for the purposes of Regions for the overall prosperity people. Based on Law No. 28 of 2009 tax district / city is divided into several following, hotel tax, restaurant tax, amusement tax, advertisement tax, street lighting tax, Tax Mineral instead of metals and rocks, parking tax, Ground Water Tax, Tax Swallow's Nest, Land and Building Tax in Rural and Urban Areas and Customs Tax on Acquisition of Land and Buildings.

Retribution

The central government again issued a regulation on Local Taxes and Levies, through Act No. 28 of 2009. This Act repealed Act No. 18 of 1997, as already amended by Law No. 34 of 2000. Applicability of the tax laws and levies new one side benefit areas with their sources of new revenue, but on the other hand there are few sources of local revenue that should be removed because it can no longer be collected by the area, mainly from levies.

Revenue Sharing

Revenue sharing is a fund sourced from APBN allocated to a region based on a percentage to finance the needs of the region in the implementation of decentralization.

General Allocation Fund

General Allocation Fund (DAU) is a fund sourced from APBN allocated to bring equality among the regions financial ability to fund the needs of the region in the implementation of decentralization. DAU is allocated to provincial and regency / city.

Special Allocation Fund

Special allocation fund (DAK) is a fund sourced from APBN allocated to a certain region with the aim to help fund special activities of the region in accordance with national priorities. DAK is set every year in the state budget and allocated to certain regions to fund specific activities that are part of the program to national priorities.

C. RESEARCH METODOLOGY

This research uses this type of research quantitative. Quantitative approaches are the type of research that focuses on testing the hypothesis by using the measured data. And descriptive approach aims to systematically determine the research was done and examine reasons why certain symptoms. The focus of this study to determine the effect of the reception area to the economic growth of the district / city in East Java province. In general this study analyzed internal variables are local revenue (PAD), Revenue Sharing tax / natural resources,

provides general allocation funds (DAU), Special Allocation Fund (DAK). In this research, the variables consist of one dependent variable and four independent variables. The dependent variable is influenced by the independent variables that are expected to be significance. The estimation method is uses time series data. The data were processed by Eviews 8.

Research Metodology

Type of Research	Quantitatiive
Type and Source of Data	Secondary Data
Data collection Methods	Documentation
Data Analysis Techniques	Data of Regression Panel

D. ANALYSIS RESULT

In this research to fulfill testing requirements, there has to be several test to find unbiased and efficient results. It needs a regression equation or other testing methods that can explain quantitatively or qualitatively. This research used the hypothesis testing of Classical Assumption Testing or Multiple Linear Regression to find the effect of the independent variables towards the dependent variables.

Data analysis method

The analysis technique used by the research is the analysis using a quantitative approach, with the following terms :

$$\text{Economic regional growth} = \alpha_1 + \beta_1 \text{PADit} + \beta_2 \text{revenue Sharing it} + \beta_3 \text{DAUit} + \beta_4 \text{DAKit} + \mu_{it.i}$$

1 Panel Data

a. Ordinary least square

Is a technique to create a regression model using cross section data or time series. But this method can be used on panel data, namely by combining cross section with time series data. Merging into a pool of data for the regression will yield regression when compared to using cross section data or time series.

b. Fixed effect model

An engineering analysis model forming the basis if there are variables that do not all enter into the equation analysis model. So the possibility of intercept is not constant. Intercept changes caused by the change of each individual and time.

c. Random effects model (random effect)

The random effects model is used for the modeling analysis with the base if there are variables that can not be included in the equation because of

differences in the characteristics of each individual and the time indicated by the error of the model.

Hausman test

Hausman test is a measurement used to see the consistency of the estimation by the selection method of fixed effects (MET) or a fixed effect or random effects met

Hypothesis test

t-statistic test

According Nachrowi (2006) t-statistic is used to perform testing in order to determine the effect of a significant effect of independent variables on the dependent variable. This testing is done in the following hypotheses:

- a. $H_0 : \beta = 0$, which means, variable source revenue (PAD), revenue-sharing, Funds (DAU) and Special Allocation Fund (DAK) do not individually significant effect on economic growth of the district / city in East Java
- a. $H_1: \beta \neq 0$, which means, variable revenue-sharing, the general allocation fund (DAU) and Special Allocation Fund (DAK) do not individually significant effect on the economic growth of the district / city in East Java province
- b. By testing as many as two-way on the regression coefficients that intercept and slope. With the number of observations for n and k is the slope coefficient
- c. If the value of the variable probability of local revenue (PAD) is significant at $\alpha = 5\%$. Then test the hypothesis states that H_0 and H_1 accepted. Meaning that the variable revenue (PAD) individually significant influence on the economic growth of the district / city in East Java
- d. If the probability value of revenue-sharing variables significant at $\alpha = 5\%$, then the hypothesis states that H_0 and H_1 accepted. In the sense that the revenue-sharing variables individually significant effect on economic growth of the districts / cities in East Java.
- e. If the value of the variable probability of general allocation funds (DAU) is significant at $\alpha = 5\%$, then the hypothesis states that H_0 and H_1 accepted. In the sense that the general allocation fund individually significant influence on the economic growth of the district / city in East Java.
- f. If the value of the probability variables significant at the special allocation fund $\alpha = 5\%$, testing the hypothesis that H_0 rejected H_1 accepted. Meaning that the special allocation fund variables individually significant influence on the economic growth of the district / city in East Java

Heteroscedasticity test

In heteroscedasticity assumption that the regression model variant value must be equal to a constant value or all values residual and error must have the same variant. if the variant and Y_i increases with the variant Y_i X_i is not the same. variance is not constant or change indicates heteroscedasticity, (Nachrowi, 2006). heteroscedasticity a circumstances where each mistake nuisance (e_i) has different variant, a variant (e_i) = for $n = 1, 2, 3, \dots n$. (Gujarati, 1997)

Autocorrelation test

Autocorrelation test is used to determine whether there is autocorrelation in the regression model, based on a statistical value durbin-watson is defined as follows: (Nachrowi, 2008)

Classic assumption test

Autocorrelation assumption test

Ghozali (2007: 95) explains the purpose of autocorrelation is: "Test whether in a linear regression model was no correlation between bullies error in period t with an error in period $t-1$ (previous)". If there is a correlation, there is a problem called autocorrelation. Autocorrelation is often found in the time series data (time series). Guide to see whether there is autocorrelation can be seen from the Durbin Watson Test.

Assumptions heterocadisticity test

Heterocadasticity test aimed at testing whether a regression model, there was inequality of variance of the residuals of the observations to other observations (Ghozali, 2007: 105). If the variance of the residuals of the observations to other observations remain, it is called and if different homoskedastisitas called heterokedastisitas. A good regression model is that homoskesdatisitas or did not happen heterokedastisitas. How that can be used to detect the presence or absence of heteroscedasticity in this research is to use the White test.

Assumptions Multicollinearity

Multicolinierity test aims to test whether the regression model found a correlation between independent variables (independent) (Ghozali, 2007: 91). A good regression model should not happen correlation between the independent variables. Multicollinearity can be seen from the correlation between the independent variables. In general, if the correlation coefficient is less than 0.90, the variable does not share the problems of multicollinearity with other independent variables (Ghozali, 2007: 92).

	Generally allocation fund	Specially allocation fund	Revenue sharing	Local revenue
Generally allocation fund	1			
Specially	-0.098	1		

allocation fund				
Revenue sharing	0.462	-0.048	1	
Local revenue	-0.076	0.315	-0.0431	1

Based on the results of the regression model testing known that the correlation between the independent variable-value less than 0.90 so it can be said that there is no linear relationship between independent variables so that these assumptions are met.

Results Analysis Data

Regression Model Selection Panel

As previously explained that in the panel data regression analysis there are three kinds of approach, then we need to choose which approach is the best of all three approaches. Furthermore, the best approach will be used to predict how the influence of independent variables (DAK, Revenue Sharing, DAU and PAD) against variabel bound (PE) through a panel regression models were formed.

Results of partial regression parameter testing

Variable of Independent	B	T _{calculate}	P value	Information
Generally allocation funds (X ₁)	2.970757	-4.564712	0.0000	Significant
Revenue sharing (X ₂)	0.017533	-0.780813	0.4367	Not Significant
Specially allocation funds (X ₃)	-0.50267	-1.575579	0.1182	Not Significant
Local revenue (X ₄)	0.018038	-1.159522	0.2489	Not Significant

1. Variable of generally allocation fund (X1)

Hypothesis test used are:

H0: $\beta_1 = 0$ (X1, no significant effect on Y)

H1: $\beta_1 \neq 0$ (variable X1 significant effect on Y)

According to the table above were obtained a significance of 0.0015 smaller than 0.05. This test shows that H0 rejected, which shows that DAK (X1) significant effect on PE (Y) at the 95% confidence level. B1 coefficient value is negative (-0.061291) so that it can be interpreted as DAK increased 1% it will lower the PE of 0.061291%.

2. Variable of revenue sharing (X2)

Hypothesis test used are:

H0: $\beta_2 = 0$ (X2 no significant effect on Y)

H1: $\beta_2 \neq 0$ (X2 significant effect on Y)

Revenue Sharing variable (X2) has a significance of 0.5076 which is worth more than 0.05. This test shows that H0 thus concluded that the Revenue Sharing (X2) no significant effect on PE (Y).

3. Variable specially allocation fund (X3)

Hypothesis test used are:

H0: $\beta_3 = 0$ (X3 no significant effect on Y)

H1: $\beta_3 \neq 0$ (X3 significant effect on Y)

Variable DAU (X3) has a significance of 0.0000 which is worth less than 0.05. This test shows that H0 rejected and concluded that the DAU (X3) significantly affects the PE (Y). The coefficient of β_3 (-2.793915) is negative have the understanding that if the DAU increased by 1%, the PE will decrease by -2.793915%.

4. Variable local revenue (X4)

Hypothesis test used are:

H0: $\beta_4 = 0$ (variable X4 no significant effect on Y)

H1: $\beta_4 \neq 0$ (variable X4 significant effect on Y)

Variable PAD (X4) has a significance of 0.9493 which is worth more than 0.05. This test shows that H0 thus concluded that PAD (X4) no significant effect on PE (Y).

Coefficient of Determination

After the results of significance testing parameters guess either simultaneously or partially obtained, so to determine the proportion or percentage of the power of influence of variable DAK (X1), Revenue Sharing (X2), DAU (X3) and PAD (X4) against PE (Y) can be seen from the the coefficient of determination (R^2). Based on the results table regression analysis R^2 value of 0.584. These results explain the donation or contribution of independent variables in influencing variable Y is equal to 58.4%, while 41.6% was contributed by other variables not included in this equation.

Economic Analysis

On panel data regression in this study aims to look at the economic growth of the district / city in the province of East Java can be affected by how the local revenue (PAD), profit sharing fund (DBH), the general allocation fund (DAU) and special allocation funds (DAK). The regression model used is :

$$\text{Economic regional growth} = a_1 + \beta_1 \text{PAD}_{it} + \beta_2 \text{revenue Sharing}_{it} + \beta_3 \text{DAU}_{it} + \beta_4 \text{DAK}_{it} + \mu_{it.i}$$

According to some previous studies there is a negative and positive impact on PAD on economic growth. This is one of the negative or insignificant impacts (Initiative, 2014) The Effect of Local Original Income on Economic Growth of Local Original Revenues has a non-significant and negative relationship. This indicates that the increase of the original revenue of the region which some districts in the city of East Java have had a negative effect on economic growth. Revenue Original by Mardiasmo in Fisanti (2013) explains that the Original Regional Revenue is derived from the sector of Regional Tax, Regional Retribution, Regional Owned Company Result, Regional Wealth Management Result separated and other valid regional income. From the sources seen that the withdrawal of taxes and levies actually resulted in regional output reflected in the PDRB generated various income sectors in the City District is not running optimally. According to Lewis in Ahyani (2010) The ineffectiveness of various regulations by the government may indicate the absence of positive relations between the various new charges with the seriousness of local governments in improving the quality of public services. In addition, the burden of the cost of

goods or services offered to be borne by the regional companies participate also reduce the output produced. With less maximum the PDRB generated an area will certainly affect the level of economic growth in the area. Because the level of Economic Growth can not be separated from the level of regional GDP growth. So it is very important for the local government to maximize its income sector in order to get maximum output in each sector. Although as already explained in the above regression that the Original Regional Revenue influence is not significant. This explains that in fact the Original Revenue has a negative influence on Economic Growth itself. While the positive or significant impact is (Anggraini, 2012) due to the flexibility it has to spend on PAD and manage funding and taxation power to provide incentives for investment in the region so as to encourage economic growth.

E. CONCLUSION AND SUGGESTIONS

Conclusion

In this study, the reception area to discuss the influence on economic growth. with a sampling technique that is done by purposive sampling at the district / city in eastern Java.

This study conducted in 2011 to 2015 with the variables consisting of the dependent variable revenue (PAD), profit sharing fund (Revenue Sharing), the general allocation fund (DAU), and special allocation funds (DAK). While the independent variables are the region's economic growth. determination of variable usage is based on the theory and previous research.

This research uses a panel regression analysis using a fixed effect redundant test (chow test), correlated random effects - lagrange multiplier test and Hausman test. it can be concluded that:

1. The variable revenue (PAD) does not significantly is negative affect the economic growth of the region.
2. The variable revenue-sharing (Revenue Sharing) does not significantly is negative affect the economic growth of the region.
3. variable general allocation fund (DAU) significantly is positive influence regional economic growth.
4. The variable special allocation funds (DAK) does not significantly is negative influence regional economic growth.

Analysis results indicate that the local revenue (PAD), and revenue sharing (Revenue Sharing) is not a contributing factor to economic growth of the district / city in East Java province. whereas the general allocation fund (DAU) and Special Allocation Fund (DAK) has contributed to high economic growth of the district / city in East Java province. the financial capacity of the district / city also experienced significant change. the allocation of financial capabilities that are prepared using the financial capability index indicated a shift toward regional financial capabilities better. one of the factors that cause changes in the financial capability of this is the rate of economic growth.

Suggestions

Based on the conclusions that have been mentioned above, the suggestions put forward in this study are as follows:

1. The important implication of this study is the need to take measures to increase to regional growth economy by increasing local revenues from local revenue (PAD).
2. Reduce the dependence of local governments to the central government and the efficient use of available resources. that democratic ideals of autonomy can be realized.

APPENDICES

Appendix 1 Heterocadasticity Assumption

Heteroskedasticity Test: White

F-statistic	0.498664	Prob. F(14,165)	0.9314
Obs*R-squared	7.306808	Prob. Chi-Square(14)	0.9222

Test Equation:

Dependent Variable: RESID^2

Method: Least Squares

Date: 09/07/16 Time: 10:15

Sample: 1 180

Included observations: 180

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-151.4897	325.6724	-0.465160	0.6424
DAK	0.394907	2.842485	0.138930	0.8897
DAK^2	-0.008212	0.024237	-0.338822	0.7352
DAK*DAU	-0.004552	0.151997	-0.029950	0.9761
DAK*REVENUE SHAR- ING	-0.012785	0.059623	-0.214436	0.8305
DAK*PAD	0.008273	0.013657	0.605812	0.5455
DAU	11.63445	32.00914	0.363473	0.7167
DAU^2	-0.201791	0.789521	-0.255587	0.7986
DAU*REVENUE SHAR- ING	-0.199357	0.183505	-1.086382	0.2789
DAU*PAD	-0.006525	0.092149	-0.070809	0.9436
REVENUE SHARING	3.898300	3.582837	1.088048	0.2782
REVENUE SHARING^2	-0.000301	0.029329	-0.010252	0.9918
REVENUE SHAR- ING*PAD	0.011487	0.015548	0.738765	0.4611
PAD	0.048350	1.798420	0.026885	0.9786
PAD^2	-0.005770	0.007848	-0.735224	0.4632

Appendix 2

Autocorrelation Assumption

R-squared	0.044294	Mean dependent var	6.372278
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Adjusted R-squared	0.022449	S.D. dependent var	0.850905
S.E. of regression	0.841300	Akaike info criterion	2.519648
Sum squared resid	123.8625	Schwarz criterion	2.608341
Log likelihood	-221.7683	Hannan-Quinn criter.	2.555609
F-statistic	2.027673	Durbin-Watson stat	1.385156
Prob(F-statistic)	0.092559		

Appendix 3

Assumption of Multicollinearity

	DAK	DAU	REVENUE SHARING	PAD
DAK	1	-0.098	0.462	-0.076
DAU	-0.098	1	-0.048	0.3157
REVENUE SHARING	0.462	-0.048	1	-0.043
PAD	-0.076	0.315	-0.0431	1

Appendix 4

Model Common Effect

Dependent Variable: PE?
Method: Pooled Least Squares
Date: 09/07/16 Time: 10:50
Sample: 2011 2015
Included observations: 5
Cross-sections included: 36
Total pool (balanced) observations: 180
Cross sections without valid observations dropped

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	14.86494	3.371413	4.409111	0.0000
DAK?	-0.021360	0.022859	-0.934408	0.3514
REVENUE SHARING?	0.018791	0.026957	0.697068	0.4867
DAU?	-0.406586	0.167339	-2.429705	0.0161
PAD?	-0.006448	0.015187	-0.424596	0.6717
R-squared	0.044294	Mean dependent var	6.372278	
Adjusted R-squared	0.022449	S.D. dependent var	0.850905	
S.E. of regression	0.841300	Akaike info criterion	2.519648	
Sum squared resid	123.8625	Schwarz criterion	2.608341	
Log likelihood	-221.7683	Hannan-Quinn criter.	2.555609	
F-statistic	2.027673	Durbin-Watson stat	0.914570	
Prob(F-statistic)	0.092559			

Appendix 5

Model Fixed Effect

Dependent Variable: PE?
Method: Pooled Least Squares
Date: 09/07/16 Time: 10:51
Sample: 2011 2015
Included observations: 5
Cross-sections included: 36
Total pool (balanced) observations: 180
Cross sections without valid observations dropped

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	64.47305	6.865222	9.391254	0.0000
DAK?	-0.061291	0.018970	-3.231002	0.0015
REVENUE SHARING?	-0.013907	0.020935	-0.664291	0.5076
DAU?	-2.793915	0.331354	-8.431814	0.0000
PAD?	0.000839	0.013156	0.063738	0.9493
Fixed Effects (Cross)				
--C	-0.500386			
KABBANGKALAN--C	2.252188			
_KABBANYUWANGI--C	0.064537			
_KABBLITAR--C	0.023899			
_KABBONDOWOSO--C	0.798405			
_KABGRESIK--C	1.886336			
_KABJEMBER--C	0.534303			
_KABJOMBANG--C	1.062568			
_KABKEDIRI--C	0.774590			
_KABLAMONGAN--C	0.215604			
_KABLUMAJANG--C	-0.622487			
_KABMADIUN--C	-0.467539			
_KABMAGETAN--C	2.033567			
_KABMALANG--C	1.618928			
_KABMOJOKERTO--C	-0.011176			
_KABNGANJUK--C	0.255343			
_KABNGAWI--C	-0.849350			
_KABPACITAN--C	-0.190901			
_KABPAMEKASAN--C	1.346168			
_KABPASURUAN--C	0.249490			
_KABPONOROGO--C	-0.088002			
_KABPROBOLINGGO--C				
C	-1.055697			
_KABSAMPANG--C	1.328936			
_KABSIDOARJO--C	-0.474623			
_KABSITUBONDO--C	0.132069			
_KABSUMENEP--C	-0.441116			
_KABTRENGGALEK--C	0.519496			
_KABTUBAN--C	0.580174			
_KABTULUNGAGUNG--C				
--C	-1.914915			
_KOTABLITAR--C	-0.807659			
_KOTAKEDIRI--C	-0.752334			
_KOTAMADIUN--C	-0.033758			
_KOTAMALANG--C	-2.129002			
_KOTAMOJOKERTO--C	-2.435068			
_KOTAPASURUAN--C	-1.943928			

_KOTAPROBOLINGGO			
—C	-0.958662		
Effects Specification			
Cross-section fixed (dummy variables)			
R-squared	0.584141	Mean dependent var	6.372278
Adjusted R-squared	0.468294	S.D. dependent var	0.850905
S.E. of regression	0.620465	Akaike info criterion	2.076434
Sum squared resid	53.89669	Schwarz criterion	2.785980
Log likelihood	-146.8790	Hannan-Quinn criter.	2.364124
F-statistic	5.042366	Durbin-Watson stat	1.725795
Prob(F-statistic)	0.000000		

Appendix 6

Chow test

Redundant Fixed Effects Tests
Pool: KAB_KOTA
Test cross-section fixed effects

Effects Test	Statistic	d.f.	Prob.
Cross-section F	5.192589	(35,140)	0.0000
Cross-section Chi-square	149.778588	35	0.0000

Appendix 7

Model Random Effect

Dependent Variable: PE?
Method: Pooled EGLS (Cross-section random effects)
Date: 09/07/16 Time: 10:54
Sample: 2011 2015
Included observations: 5
Cross-sections included: 36
Total pool (balanced) observations: 180
Swamy and Arora estimator of component variances
Cross sections without valid observations dropped

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	25.47127	3.858317	6.601654	0.0000
DAK?	-0.021265	0.017549	-1.211717	0.2273
REVENUE SHARING?	0.005112	0.020524	0.249053	0.8036
DAU?	-0.920225	0.188293	-4.887209	0.0000
PAD?	-0.003553	0.012416	-0.286121	0.7751
Random Effects (Cross)				
—C	-0.364817			
KABBANGKALAN—C	1.009577			
_KABBANYUWANGI—C	-0.282627			
_KABBLITAR—C	0.017490			
_KABBONDOWOSO—C	0.484643			

_KABGRESIK—C	0.462766
_KABJEMBER—C	0.113540
_KABJOMBANG—C	0.296561
_KABKEDIRI—C	0.252684
_KABLAMONGAN—C	-0.018349
_KABLUMAJANG—C	-0.392672
_KABMADIUN—C	-0.356261
_KABMAGETAN—C	0.541080
_KABMALANG—C	0.979754
_KABMOJOKERTO—C	-0.276411
_KABNGANJUK—C	-0.072929
_KABNGAWI—C	-0.387979
_KABPACITAN—C	-0.069564
_KABPAMEKASAN—C	0.543589
_KABPASURUAN—C	-0.057874
_KABPONOROGO—C	-0.241586
_KABPROBOLINGGO—C	-0.606361
_KABSAMPANG—C	0.457787
_KABSIDOARJO—C	-0.223533
_KABSITUBONDO--C	-0.151004
_KABSUMENEP--C	-0.279638
_KABTRENGGALEK--C	0.214884
_KABTUBAN--C	0.044186
_KABTULUNGAGUNG—C	-0.342098
_KOTABLITAR--C	-0.212490
_KOTAKEDIRI--C	0.162884
_KOTAMADIUN--C	0.115510
_KOTAMALANG--C	-0.457721
_KOTAMOJOKERTO--C	-0.693106
_KOTAPASURUAN--C	-0.493017
_KOTAPROBOLINGGO—C	0.283100

Effects Specification			
		S.D.	Rho
Cross-section random		0.403298	0.2970
Idiosyncratic random		0.620465	0.7030
Weighted Statistics			
R-squared	0.104119	Mean dependent var	3.611958
Adjusted R-squared	0.083641	S.D. dependent var	0.737442
S.E. of regression	0.705928	Sum squared resid	87.20858
F-statistic	5.084591	Durbin-Watson stat	1.204859
Prob(F-statistic)	0.000671		
Unweighted Statistics			
R-squared	-0.012019	Mean dependent var	6.372278
Sum squared resid	131.1608	Durbin-Watson stat	0.801108

Appendix 8

Hausman test

Correlated Random Effects - Hausman Test
 Pool: KAB_KOTA
 Test cross-section random effects

Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	55.529699	4	0.0000

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