

THE FISCAL CAPACITY OF THE NEW AUTONOMOUS REGION (DOB) IN INCREASING ECONOMIC GROWTH AND ERADICATION OF THE POOR

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Abstract

Indonesia has conducted state proliferation to improve public services, create more effective governance, and increase regional development. State proliferation was accompanied by fiscal decentralization, so that allowed the regions to manage their finances by arranging regional development programs and other planning. However, in its implementation, Decentralization, which has been running for two decades, has experienced problems such as the financial over-dependence on central government and development inequity, which has further implications for eradicating the poor. The purpose of this research is to analyze to what extent the state proliferation that have been running is able to increase the fiscal revenue of new autonomous regions (DOB) in order to maximize economic growth, equitable territorial development and regional development to be able to eradicate the poor and improve the welfare of the community. The research method uses descriptive methods with a qualitative approach. This study uses data from a period of 2015 to 2019 in accordance with the National Mid-Term Development Plan (RPJMN). The results showed that the development of new autonomous regions in the era of post-reform regional autonomy were 8 provinces, 181 districts and 34 cities. Therefore, the allocation of transfer funds to the regions is increasing every year. For the 2020 State Budget, around Rp.858 trillion or around 34.6% of total state expenditure. However, ironically, the over-dependence of DOB on fiscal Decentralization has not declined. If seen from the ratio of PAD to total regional income, it is known that DOB currently still depends on the parent region or central government, while the DOB growth rate is lower comparing to their parent region. On the other hand, the focus of DOB development is more on government facilities and infrastructure. Although in some new autonomous regions, there is a decrease in poverty, in general, poverty levels in new autonomous regions are relatively higher than in parent regions.

Keywords: State Proliferation, Fiscal Decentralization, Economic Growth, Regional Development, Poor Eradication.

I. INTRODUCTION

Decentralization has played a significant role in the agenda of institutional reform in every country in various parts of the world. Internal and external pressure forces many developing countries to increase the administrative, fiscal, and political power that the central government gives to local governments (Blöchliger & Rabesona, 2009). Decentralization is one form of regional autonomy expected to maximize further an equitable regional development and state proliferation (Bröcker et al., 2019).

Decentralization in Indonesia began with changes in the state sovereign system post-1998 reform (Talitha et al., 2019). These changes happened due to high political pressure from the public, politicians, students, and many local governments and amid a severe economic crisis (Firman, 2009; A. Nasution, 2017; I. K. Nasution, 2016). The solution taken by the government is to issue Law No. 22 of 1999 (which was later updated with Law No. 23 of 2014 in place of Law No. 32 of 2004) concerning Regional Government which provides broad regional

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autonomy opportunities with rights, authority, and the obligation of autonomous regions to regulate and manage their government affairs and community interests (Suhardi et al., 2019). Also, the law is expected to make democratization function and improve the welfare of the people in Indonesia (Karim, 2003; Kuncoro, 2004; Safitri, 2016) and transfer responsibilities from the central government to regional governments, after a prolonged economic crisis (Simanjuntak, 2013).

One of the implementations of decentralization reforms in Indonesia is that the government implements state proliferation (Pierskalla, 2019; Salim & Hudalah, 2020). This practice is where local governments divided based on the division of new territories and autonomous regions on the grounds of improving public services in the regions (Hartley et al., 2008; Tat-Kei Ho, 2002) and creating a more effective local government and regional development with increasing local development (Kuklinski, 2019; Lefebber & Datta-Chaudhuri, 2019; Zhuang et al., 2001).

The implementation of the decentralization, resulting in fiscal decentralization that affects regional financial management (Bahl & Bird, 2018), economic planning including preparing regional development programs and other planning delegated from the center to the regions (Hakim et al., 2017; Pike et al., 2016). The consequence of the implementation of decentralization is the distribution of authority in the monetary and fiscal sectors, which is decentralized to the regions (Faguet, 2014; Foltin, 2017).

On the other hand, the phenomenon of state proliferation on a large scale comes with a new problem. In the period 1998-2004 (the last year of division), the total number of local governments was 542 consisting of 34 Provinces, 15 Regencies, and 93 Cities. Each proliferation will have broad implications as a form of logical consequences, such as changes in the government structure, budget, borders, and names of regions, the distribution of revenue sources, and regional income that previously flowed from the origin regions. These changes, although de jure have been regulated by law, in practice, are not as easy as turning the palm. Releasing new territories from its previous regions also means a gradation of authority, budget reduction, decreases in revenues and incomes, in addition to one thing which is specified, the reduction in area size. This, if not carefully considered in forming a new autonomous region, will potentially lead to cross-regional conflicts, thus becoming an obstacle to the implementation of regional autonomy.

This research focuses on the relationship between state proliferation, fiscal decentralization, implementation of regional development, and eradication of the poor, which are currently the most

urgent issues in the new era of decentralization in Indonesia. There are many previous studies relating to this research, such as Lewis (2003), Bappenas (2005), Fitriani et al. (2005), USAID (2006), Mardiasmo (2008), and Brodjonegoro & Ford (2014). The emphasis of this research is on how state proliferation of a local government affects fiscal decentralization. Those researches did not focus on how state proliferation had affected regional development. Few cases that are somewhat similar to Indonesia are Nigeria (Nwankwo, 1984; Ukiwo, 2006) and Albania (Ferrazzi, 2007).

According to Fitriani et al. (2005), in the early 1990s, the formation of new autonomous regions had triggered violent conflicts between ethnic and communal groups, because the process became less transparent, while military rulers rejected local governments as group support (Ukiwo, 2006, p. 32). Likewise, Albania's division of regional government has weakened its implementation capacity and has endangered the quality and access to local public services (Ferrazzi, 2007). This situation appears to have emerged in Indonesia, although it must be emphasized from the beginning that the state proliferation of local government, in addition to its negative effect, also potentially has a positive impact on regional development (Firman, 2009; Fitriani et al., 2005).

One of the central issues of fiscal decentralization policy in Indonesia is the weakness of institutional capacity to implement this policy, both nationally and locally (Athukorala, 2006; Eschweiler, 2010). The ability of local governments to maximize fiscal decentralization, such as transfer of funds from the center to the regions, is mostly not being used properly (Athukorala, 2006; Eschweiler, 2010). This reflects the low performance of local governments in absorbing and utilizing funds for regional development (Boediono, 2002; Hill, 2007).

This paper analyzes the development, problems, and performance of the newly autonomous region (DOB). This paper focuses on fund transfers, expenditure allocations, and fiscal dependency. Likewise, a comparison between the new autonomous regions and their parent regions is illustrated in this paper. The systematic writing is divided into four parts. The introduction that discusses the background of this article then continues with the study method. Part three is the discussion. Then, the final part ended with a conclusion.

II. METHOD

This study uses a qualitative approach To describe the performance of new autonomous regions or regional expansion areas, with the research

method used is descriptive-analytical and descriptive-exploratory, i.e., this research tries to explore and describe research objects comprehensively, using literature studies and documentation studies (Elliott & Timulak, 2005; Myers, 2019), in order that a comprehensive explanation of the development and fiscal capacity of the new autonomous region (DOB) will be obtained.

The author uses and processes data as follows: (1) Archives of regional autonomy; (2) Central Government National Mid Term Development Plan (RPJMN) 2015-2019; (3) Vision and mission; (4) Economic statistical data of the central government and regional governments; (5) Local and central government financial data.

The data used are data from 2015-2019 in accordance with the RPJMN. Data collection was carried out at the end of January 2020 through official government websites and official data obtained by the authors from several government agencies.

The above approaches and methods are used to answer the objectives of this study. By describing the condition of new autonomous regions or proliferation areas, it can be seen how the development of new autonomous regions in terms of fiscal decentralization of DOB and comparison with their parent regions. The literature study was conducted to obtain an overview of previous studies of new autonomous regions in relation to fiscal decentralization.

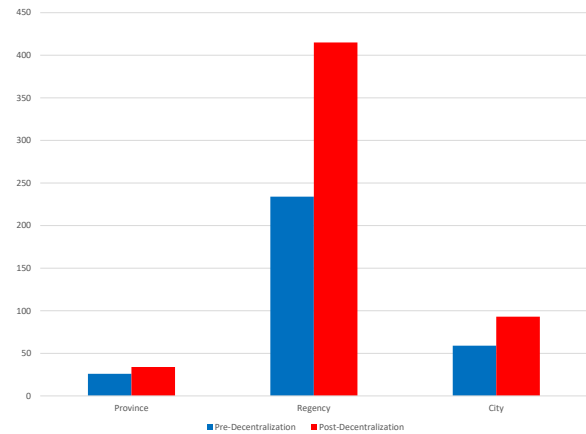
Ultimately the use of these approaches and methods will produce at least a description of the fiscal decentralization of the new autonomous regions, economic growth, regional development, and handling of the poor, in new autonomous regions (DOB), and their comparison with parent regions.

III. RESULTS AND DISCUSSION

A. State proliferation Development in Indonesia

The state proliferation of a regional government is actually not a new phenomenon in Indonesia. During the era before regional autonomy, the government practiced it, but it was carried out with a strict and highly selective administrative approach. For example, before Cimahi was transformed into a city, this region was first given administrative authority while still under the authority of the Bandung Regency. After several evaluations over a long period and considered successful and able to financially self-dependent, then its status was upgraded to Cimahi City, an independent area released of its parent (Bandung Regency).

In the new era of decentralization, regional government state proliferation is carried out faster



Source: Ministry of Home Affairs, analyzed by author (2019)

Figure 1. The Amount Comparison of Newly Autonomous Region between 1998-2019

by using a bottom-up approach which is very political with procedures that refer to Government Regulation No. 78 of 2007 concerning Procedures for Requirements, Formation, and Criteria for Proliferation, Elimination, and Merger of Territory, thus the state proliferation procedure is the same as the regional formation procedure.

Based on Figure 1, the facts show a significant development, namely, the division of regions in Indonesia has become a euphoria in the era of regional autonomy after the reform became indisputable. Until early 2020, the number of new autonomous regions formed was 8 provinces, an increase of 30.7%, 181 districts, an increase of 77.3%, and 34 cities rose 57.6% so that the entire provinces are 34 and 415 districts and 93 cities with a total of 542 local governments—an extraordinary growth in regional government, especially when compared to the period before decentralization.

Of the total area of proliferation, most are located in areas outside Java-Bali. Likewise, in terms of regional distribution, most of which are located in Eastern Indonesia (KTI) rather than Western Indonesia (KBI), these conditions can be illustrated in Table 1.

Furthermore, the review can be more detailed by dividing the area according to islands from the distribution of the formation of new autonomous regions, which have been analyzed by region, as shown in Table 1. Details of these regions are illustrated by the pie chart in Figure 2 about the distribution of regional DOBs.

From Figure 2 it can be seen that from 1999 to 2019, the most widely distributed newly-appointed autonomous region was in Sumatra, which was

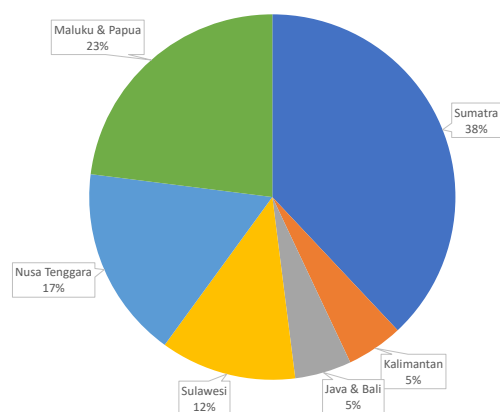
Table 1.
Distribution of Newly Autonomous Region

| Region | Amount | Region | Amount |
|---------------------|------------|---------------|------------|
| Java & Bali | 10 | KBI | 87 |
| Outside Java & Bali | 196 | KTI | 119 |
| Amount | 206 | Amount | 206 |

Source: Ministry of Home Affairs, analyzed by author (2019)

77 DOB or 38%, then followed by Maluku & Papua with 47 DOB (23%), Sulawesi with 35 DOB (17%), Kalimantan with 26 DOB (12%), Nusa Tenggara with 11 DOB (5%), and Java-Bali are the regions with the least DOB formation, only 10 DOB (5%). Sumatra Island, despite its position in the western region of Indonesia, has the most DOB. This seems to be because Sumatra is the region with the highest number of provinces among other regions, as many as 10 provinces, and each province in Sumatra experiences state proliferation.

At the end of the New Order administration, there were 297 regencies/cities in 27 provinces. Between 1999 and 2014, when there was a moratorium on state proliferation, 215 new autonomous regions were born. So that Indonesia now consists of 514 cities and districts in 34 provinces. Based on a comprehensive evaluation of all DOBs in 2012, 80% failed to develop. The failure was seen in terms of economic independence as measured by the ratio of regional own-source income (PAD) to total regional



Source: Ministry of Finance, analyzed by author (2019)

Figure 2. Distribution of New Autonomous Regions (DOB) by Region

income. Most DOBs today still dependent on parent regions or the central government.

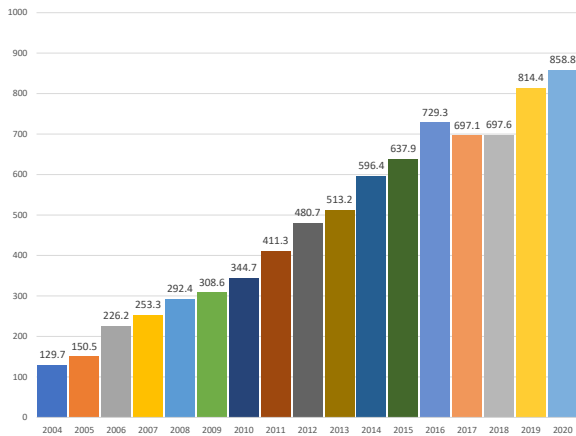
Although the government has temporarily suspended state proliferation, the Ministry of Home Affairs has since 2014 accepted the proposal to establish 315 new autonomous regions. However, the proposal cannot be processed because, until now, the government is still conducting a moratorium on the demand for new autonomous regions. Grindle (2007) states that state proliferation is carried out to reduce local dependence on the central government by focusing on increasing accountability, institutionalizing the process of change, and encouraging economic development.

B. State Proliferation in Fiscal Decentralization

Fiscal decentralization is one of the fund transfer mechanism from the State Budget concerning state financial policies, namely, to create fiscal sustainability and provide a stimulus for community economic activities. Such activities related to fiscal decentralization policies are expected to create equitable financial capability between regions commensurate with the authority scale of government affairs delegated to the autonomous region. The fiscal decentralization system applied towards the proliferated territorial has the potential to reduce vertical gaps but tends to widen horizontal gaps, particularly between the central government, district governments, and city governments (Brodjonegoro & Ford, 2014).

Such as local governments that have abundant natural resources obtain a large share of the distribution of revenue sharing funds (DBH) from these revenues, compared to other local governments that have few natural resources (Brodjonegoro, 2006; Hill, 2007). However, the central government and especially local governments whose revenue is based on natural resources need to immediately think of ways to divert revenues derived from natural resources into capital; which will be used for the development of sectors other than natural resources such as agriculture or non-oil and gas industries. This is due to the natural resources being depleted sooner or later so that regional income will be reduced or lost (Haryanto, 2018).

The implementation of fiscal decentralization during the reform era officially began on January 1, 2001. The fiscal decentralization policy, which began in 2001, aims to encourage regional economies and reduce income disparities between regions in Indonesia (Hoessein, 2002). One of its instruments is the transfer policy to the locals or regions (Garman et al., 2001). Under Law No. 17 of 2013 on



Source: Ministry of Finance, analyzed by author (2019)

Figure 3. Transfer Funds Amount Between 2004-2020

Regional Finances, Law No. 33 of 2004 on Financial Balance Between Central Government and Regional Governments and Law No. 23 of 2014 on Regional Government and Amendments which is Law No. 9 of 2015, states that the policy of transfers to the regions is carried out through a funding system that pays more attention to aspects of the fiscal gap between the center and the regions. These aspects include the division of government affairs between the center, provinces and districts/cities, the quality and disparity of public services between regions, regional economic potential development, efficient utilization of national resources, synchronization in national and regional development planning, accelerating development in disadvantaged, outermost, frontier, and ex-conflict regions.

The central government transfers funds to regional governments, including regional governments of newly proliferated territorial or newly autonomous region, increasing from year to year. In 2020 The government allocates 34% of the total state expenditure, which reaches Rp2,528.8 trillion for transfer funds to the regions and village. Total transfers to the regions and village funds in the 2020 APBN are Rp858.8 trillion. This figure increased by 5.45% compared to the 2019 APBN, which amounted to Rp814.4 trillion (assuming before the budget refocusing occurred due to the Covid-19 outbreak).

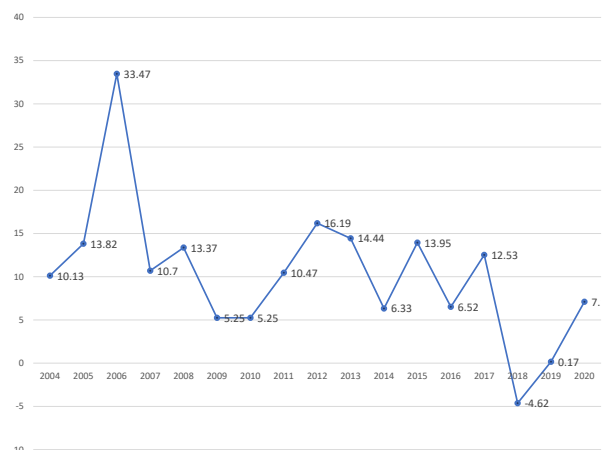
In detail, the allocation of transfers to the regions in the 2020 APBN was Rp786.8 trillion, up 3.97% from the previous year, which was Rp756.8 trillion. The budget increase was not as significant as last year, which reached 7.17%. A similar thing happened to the allocation of village funds, in which the increase was not as significant as before, which was only 2.86% compared to the increase in the previous

year, which reached 16.67%. In the 2020 National Budget, the allocation of village funds amounted to Rp72 trillion, up 2.87% from 2019, which amounted to Rp70 trillion. A study conducted by Adhayanto et al. (2019) claims that the majority of village funds are utilized for the physical construction of village infrastructure; therefore, the development of human resources, community empowerment, and the local economy of the village was less noticed.

In the 2020 APBN, the government increases transfer allocation, which should be accompanied by an increase in the implementation quality. For example, the transfer of funds is not to be conducted at the end of the year so that the local government has sufficient time to make effective use of the funds. As a result, regional government spending can improve essential public services, encouraging regional and local economic growth, and reducing inequity and poverty (Darmi & Mujtahid, 2019; Rukiah & Siregar, 2019).

Aligned with the increasing number of local governments formed, the funding needs for the provision of public service infrastructure in the regions also continue to increase. The risk is the transfer budget to the regions from year to year also increases. In 2004, the allocation of the transfer budget to the regions was 129.7 trillion consisted of balancing funds, special autonomy funds, and adjustments, now in 2018, it increased to 697.6 trillion.

The development of state proliferation for a local government in this study uses indicators of fiscal dependencies, optimization of regional income, long-term expenditure management, and economic contribution.



Source: Ministry of Finance, analyzed by author (2019)

Figure 4. Transfer Funds Amount between 2004-2020

Fiscal dependencies are used to measure to which extent a local government can meet its fiscal needs to finance development, either through the allocation of balanced funds transferred by central government or local own-source revenue/income (PAD). From the results of research throughout 2015-2019, new autonomous regions are proven to have higher fiscal dependencies compared to parent and control regions, although they show a declining trend each year (Figure 4).

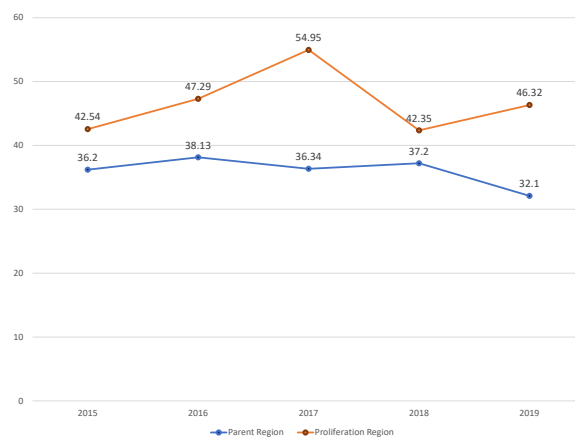
One interesting point is shown by the decreasing trend of fiscal dependence in parent regions that is going much faster than the downward trend in new autonomous regions. This indicates how a parent region reaps positive benefit from the release of a newly autonomous region, or perhaps also because the burden of the parent area is reduced.

Despite the downward trend, fiscal dependence in new autonomous regions is always higher than in parent regions. This phenomenon shows that DOB is not the type of region which quickly able to take over its local revenue function, if this fiscal dependency also includes personnel expenditure, then this level of dependency will be higher than what is shown by this indicator.

Optimization of local own-source revenue (PAD) was not identical with an increase in tax rates or levies, or the various types of taxes or levies themselves. Optimization of PAD must refer to increasing the role of government in supporting and creating economic activities to encourage more significant growth in existing economic sectors. Economic growth by itself will encourage an even more significant increase in local own-source revenue PAD.

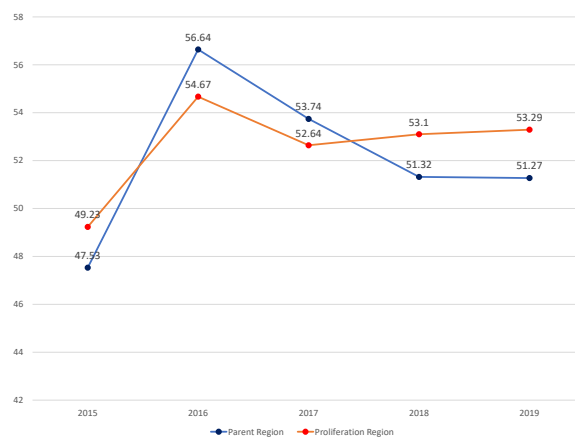
The ratio of government capital expenditure to total expenditure (also called the CAPEX indicator or Capital Expenditure) is for measuring to which extent the government policy in budgeting set orientation to long-term benefits or investment.

During 2015-2019, the portion of CAPEX in DOB was generally more significant than in its parent regions. These newly autonomous regions seem to set focus on investment rather than consumptive spending. This is considered reasonable due to its new status as an autonomous region. In detail, capital expenditure in new autonomous regions has a different focus compared to parent regions and other local regencies. At DOB, capital expenditure is focused on financing the construction of various government infrastructures that are not yet owned, such as office buildings, transportation equipment, office equipment, and households. This capital expenditure allocation is carried out in stages, at least within the first 5 years from the time the territory was proliferated. Meanwhile, parent regions already have government infrastructure readiness before



Source: Ministry of Finance, analyzed by Author (2020)

Figure 5. Fiscal Dependencies Development

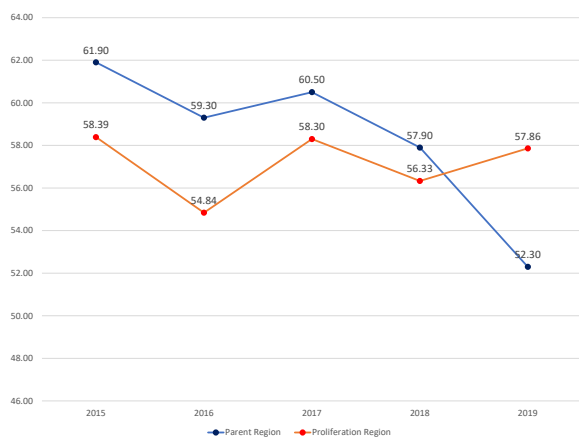


Source: Ministry of Finance, analyzed by Author (2020)

Figure 6. Local Own-Source Income Development for each Gross Regional Domestic Product

the division can focus their attention on public investment.

The role of the government budget for the regional economy is seen through capital expenditure that is a long-term investment and through routine expenditure or fixed consumption that is more consumptive. This consumptive path includes salary expenditure (employee expenditure) and capital expenditure used for infrastructure development and public services during the 2015-2019 period. DOB has a more significant percentage of total government expenditure to GRDP compared to parent regions. The difference is relatively vast enough. This illustrates that the contribution of regional finance to the economy is relatively more significant compared to parent regions. Besides being more



Source: Ministry of Finance, analyzed by Author (2020)

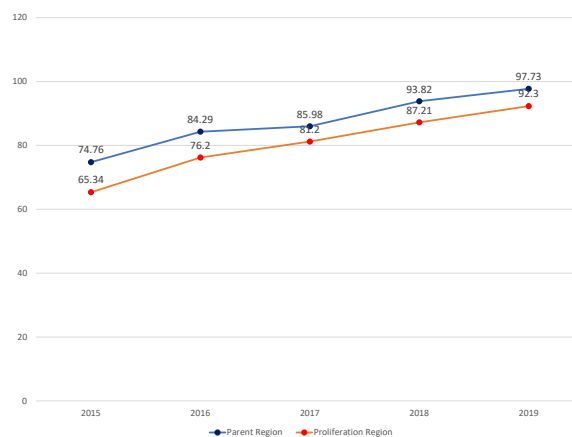
Figure 7. Development of Capital Expenditures per Total Spending (in %)

focused on meeting the needs of the composition of the apparatus and the construction of government facilities, the amount of the financial contribution of regional governments to the economy is due to the undeveloped economy of new autonomous regions compared to parent regions.

On the fixed expenditure side, a relatively large portion is employee salary expenditure, which can normatively drive the economy in new autonomous regions through consumption expenditure. The composition of the State Civil Apparatus (ASN) in DOB consists of employees appointed after the division and employees who have mutations from the parent area/province or other regions.

On the capital expenditure side, investment carried out by the government through capital expenditure contributes to the economy through material expenditure and employment absorption and, in the long run, through multiplier figures in the private sector that play a role in the economy. The long-term impact of capital expenditure requires a more extended analysis time than five years. This means that the impact of government capital expenditure at this time can only be measured through the short-term impact, as mentioned above.

DOB shows a lower financial performance index compared to parent regions; namely, the index gap between DOB and parent regions is relatively small. In this period, the DOB government finances have not been completely separated from the parent regions; the dynamics of financial management in the parent regions are still mutually influential with the DOB. However, if observed the development of the regional government financial performance index between the parent region and the DOB, it takes longer. The DOB needs to prepare a variety of financial



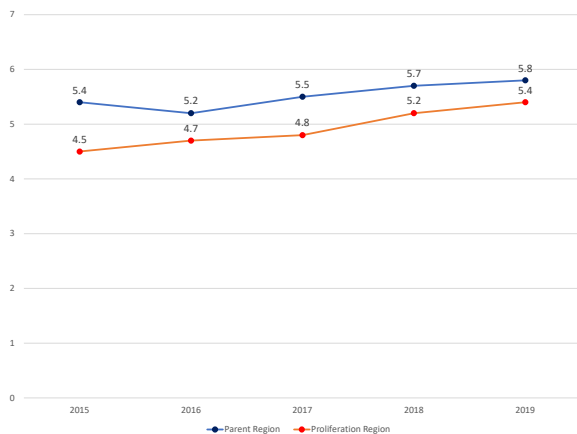
Source: Ministry of Finance, analyzed by Author (2020)

Figure 8. Regional Government Financial Performance Index

management instruments, including institutions, financial administration, apparatus managers, to the regulatory basis for more technical matters other than the preparation of the APBD itself.

Overall, the financial performance of the newly created regions or new autonomous regions appears to be lower than the parent regions. This fact is caused by several problems in regional finance, namely greater fiscal dependence in the region of proliferation, especially DOB, which is related to the massive allocation of capital expenditure in the area of proliferation. The financial role of the central government in development in the area of proliferation is still huge. Concerning fiscal decentralization and regional autonomy, state proliferation should be able to encourage regional governments' independence in carrying out development in their regions by optimizing the sources of regional economic growth. The allocation of central government funds should be an incentive and start-up capital for the DOB government to optimize its income so that in time it can reduce dependence on central government finances.

On the other hand, it is the optimization of income and low economic contribution. Here we can see a vicious circle between government finances and the regional economy. One of the things that local governments can do to break the cycle is to create economic centers in each region. As a new autonomous region, the newly created region needs a real role from the regional government that is big enough to boost its economy, not only through the development of physical infrastructure but also regional financial policies and management that can encourage the development of growth centers. The small role of regional finances causes an underdeveloped economy, which also results in



Source: Statistics Indonesia-BPS, analyzed by Author (2020)

Figure 9. Economic Growth

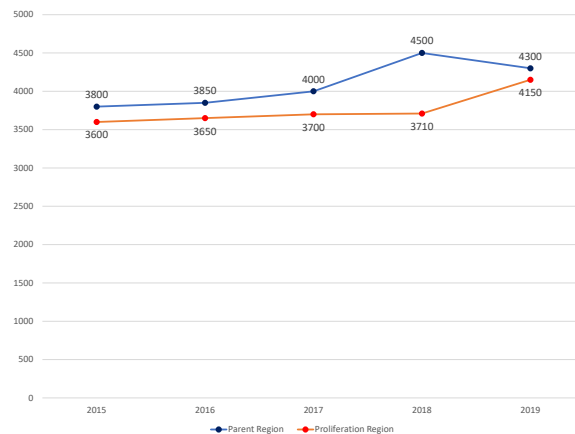
sub-optimal regional income, which encourages fiscal independence.

The flat portion of capital expenditure allocation from regional governments has not been able to encourage the region's economy; for instance, entirely, the targeted capital expenditure allocation is not right. This is an indication of the ineffectiveness of the state proliferation government's financial policies - especially DOB - in driving economic activity in the region, both consumptive and investment.

In the course of the implementation of fiscal decentralization in Indonesia, a good story, although not a few, have a terrible record, as is the case in other parts of the world. If fiscal decentralization is successfully implemented, it will achieve (1) economic efficiency, financial mobility, (2) macroeconomic stability, sufficient economic growth, and (3) government efficiency and effectiveness (Ahmad, 2002; R. W. Bahl & Linn, 1992; Shah, 1994).

C. Impact of Fiscal Decentralization on State Proliferation to Regional Development

Intensive state proliferation is developing in Indonesia as one of the ways for equitable development and improving the welfare of the people in the region (McGregor, 2008; Suryanto & Kartikaningsih, 2013). After running for more than two decades, many parties are doubtful whether the goal of the state proliferation can be achieved or not. Regional development indicators can be used as a measurement in seeing whether state proliferation is successful or not, and it can be seen from economic growth, community welfare, the role of the regional economy in one regional government, and the poverty level of the region.



Source: Statistics Indonesia-BPS, analyzed by Author (2020)

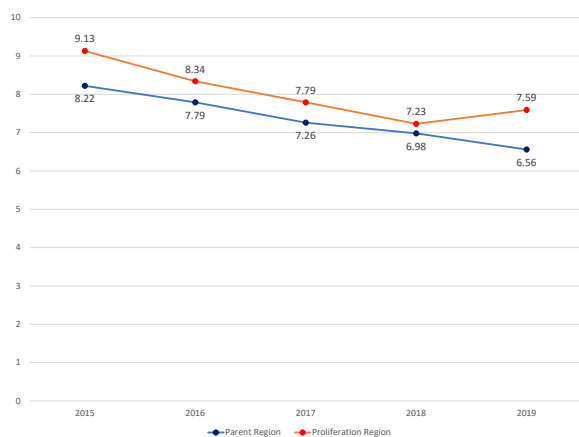
Figure 10. GDRP per Capita

Economic growth shows the motion of various regional development sectors and is also a source of job creation. An increase in added value in the economy implies an increase in economic activity, both internal in the area concerned, as well as concerning interactions between regions.

The rate of economic growth in new autonomous regions is lower with economic growth in parent regions. In general, the parent region's economic growth is more stable, with a range of 5-6% per year. Economic growth in new autonomous regions is more volatile than in its parent region (Figure 10). This fluctuation is partly due to the dominance of the agricultural sector as the most significant component in the economy of the newly proliferated territory or DOB (BPS, 2019). The agricultural sector is very vulnerable to changes in prices, change of seasons, and climate. As a result, the slightest change in these components will significantly affect the formation of GRDP (BPS, 2019).

More stable economic growth in parent regions is supported by the presence of a more massive non-oil and gas processing industry compared to DOB. The role of the industrial sector in the parent region reaches 12% in its GRDP structure, while in the DOB regions, it is only about half. The higher the role of the processing industry in one region, the more developed the region. In the post-crisis recovery period, a relatively developing sector was the manufacturing industry. This is advantageous for regions where the manufacturing sector is relatively large (Brodjonegoro, 2006).

The contribution of DOB GRDP in total GRDP was minimal (around 6.5%), lower than the parent region (10%). This was relatively constant during the 2015-2020 period. This implies that the area released by the parent region is relatively smaller in its role in



Source: Statistics Indonesia-BPS, analyzed by Author (2020)

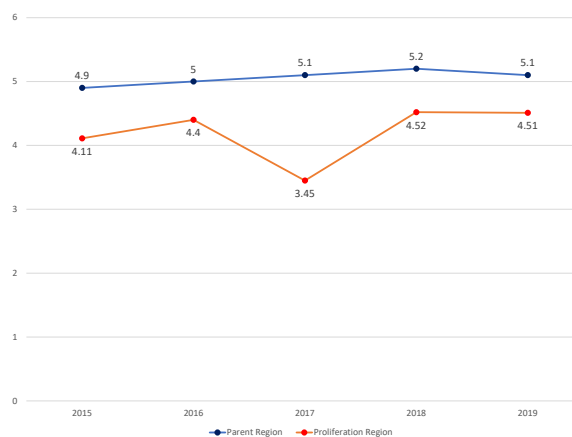
Figure 11. Poverty Level

the economy. State proliferation does not produce an area equivalent to its parent area.

GRDP per capita is an essential macro indicator for understanding the economic conditions of a region in a certain period. The results showed that the parent region had a better GRDP per capita level compared to DOB. There are several reasons why this happens. (1) the process of dividing regional territories encourages parent regions to release sub-districts, which are areas of poverty. This indication of removing the burden is also supported by the fact that there are no indicators of poverty levels in the technical requirements of state proliferation. (2) parent regions have the potential for more prepared resources, both government, community, and infrastructure. This also accelerates development in the parent regions, which after the division, the population is less with better quality economic resources.

The welfare indicator in the form of GRDP per capita must be contrasted with the poverty rate indicator. The poverty rate gives an illustration of the intensity of the population with the lowest income level in the economy. A decrease also followed improved welfare in all regions in the number of poor people. Nationally, the poverty rate in 2015 was 19.14% or around 38.7 million people, while at the end of 2019, the poverty rate was 15.97% or around 35.1 million people (BPS 2019).

This study shows that in 2019, although the DOB region has a GRDP value per capita almost the same as the common area, it turns out that the poverty rate in the DOB region is relatively high (reaching 7.59% of the total population) compared to the parent area (6.56%). Also, the poverty rate of newly proliferated territory (a combination of parent regions and new autonomous regions) is still higher than in parent regions. This indicates that although the newly



Source: Statistics Indonesia-BPS, analyzed by Author (2020)

Figure 12. Local Economic Performance Index

proliferated territory has a higher level of welfare compared to the parent region, the number of poor people in the proliferated territory is also higher.

The various indicators described above are then used to calculate the regional economic performance index. This index shows that the economic performance of parent regions is still always better than DOB regions. Despite the narrowed difference between parent and DOB regions in 2018, by 2019, the index of economic performance index had enlarged. This shows that there have been no significant developments in the DOB. This result shows that the division of regions has not yet entirely produced new autonomous regions with the equivalent performance of parent regions. The division still produces regions that still have to struggle hard to improve the welfare of their people.

The gap between DOB and parent regions is quite large. Some aspects indeed show positive symptoms such as increased physical infrastructure development, the emergence of public service facilities in the DOB. However, even non-blooming regions generally show similar performance.

Uneven distribution of economic potential. The development of existing data shows that DOB regions have lower economic potential than parent regions (BPS, 2019). This can be seen in the GRDP value of DOB regions, which in the last five years is still below the parent area,

The burden on the poor is higher in the DOB regions. The previous discussion concluded that the newly created regions generally had relatively more substantial numbers of poor people, especially the new autonomous regions. This implies that to drive the regional economy so that an increase in community income requires a much more massive effort. In terms of education, knowledge, and abilities,

poor people generally have limited human resources that can generate income.

IV. CONCLUSION

This study concludes that in general, there is no single region of regional division that can be grouped in the category of able, although the arrangement of various aspects of government to support governance is following existing guidelines. The reason is that both the DOB government and the proliferated territory are unable to formulate the authority or functions that will be carried out under the conditions, regional characteristics, and community needs.

Due to limitations in the ability of the state and regional finances to finance the provision of government infrastructure and facilities in the regions, the increase in funds transferring funds from the APBN to the regions is not optimally enjoyed because it is more aimed at funding new autonomous regions.

Economic growth in the state proliferation is more volatile than in parent regions, relatively stable and increasing. From the economic side, the cause of the underdevelopment of state proliferation areas from parent regions and other regions is limited natural resources, as well as limited human resources, and the government has not yet maximized support in driving the economy through public investment. The problems faced in the economic aspects are quite diverse and not conducive to driving investment, apparatus spending patterns, and development that have not fully supported the local economy. This is due to the problem of apparatus residence, the selection of regency capitals that have not been able to create an economic center in DOB, limited infrastructure economic support, and central government facilities.

In the 2015-2019 period, the DOB government's financial performance experienced an increase, both in terms of decreasing fiscal dependencies and in terms of economic contributions. It's just that the performance improvement cannot be said to be optimal because it is still classified as a high fiscal dependency with a relatively low economic contribution. With the proliferation, it is expected that the level of independence in self-financing the region can increase. This occurs in the condition of government investment (capital expenditure) DOB, which is relatively more significant than in other regions. Of course, this is related to the fact that DOB is still in a transition phase, both institutionally, apparatus, and government infrastructure. So, the policy to divide new territories needs to be done very carefully by paying attention to the study of how long an area of proliferation can be independent or free from fiscal dependence from the central government.

Optimization of PAD sources in the new autonomous regions and newly established regions is relatively lower than in the parent regions. It can be said that economic resources, which are also sources of other regencies/city PAD, are generally already in a steady state. As a new region, DOB has a relatively greater focus than parent regions in terms of investment rather than consumptive spending. Thus, the contribution of government spending to GRDP is also more enormous in new autonomous regions than in parent regions.

Even though poverty reduction has occurred in all regions, it can be seen that state proliferation has encouraged the release of the sparse population from parent regions to state proliferation areas, both state proliferation, and new autonomous regions. Data shows that the poor are concentrated in new autonomous regions.

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