TRANSFER FUND EFFECT ON HUMAN DEVELOPMENT INDEX IN NORTH TORAJA DISTRICT, 2009-2019

Randi Rimbawan Gian 1, Madris2, Sabir3

1) North Toraja Regency Government
2) Department of Economic, Faculty of Economics and Business, Hasanuddin University
3) Department of Economic, Faculty of Economics and Business, Hasanuddin University

Abstract:-
This study aims to examine and analyze the effect of transfer funds on the human development index in North Toraja Regency in 2009-2019. This type of research was conducted with quantitative descriptive research aimed at explaining an empirical phenomenon accompanied by statistical data, characteristics and patterns of relationships between variables. The variables used in the study are, the dependent variable is the human development index (HDI) and economic growth while the independent variables are Special Allocation Fund (SAF) and non SAF which includes the total General Allocation Fund (GAF) and Revenue Sharing Fund. This study uses secondary data on annual time series. The data used were obtained from several sources such as: (1) Regency / City Statistics Board in 2009-2018 figures; (2) North Toraja Regional Revenue Service. The analytical method used is multiple linear regression analysis (OLS).

Keywords: Human Development Index, Special Allocation Fund, General Allocation Fund, and Production Sharing Fund.

Introduction:-
Humans are the main capital of national development towards inclusive and equitable development in all regions. Development of Indonesia 2020-2024 is aimed at forming quality and competitive human resources, namely human resources that are healthy and intelligent, adaptive, innovative, skilled, and characterized. To achieve these objectives, human development policies are directed at population control and strengthening population governance, fulfillment of basic services and social protection, improving the quality of children, women and youth, alleviating poverty, and increasing productivity and competitiveness of the workforce. The human development policy is carried out based on a life cycle and inclusive approach, including taking into account the needs of the elderly population and residents with disabilities (Bappenas, 2019).

Development must pay attention to improving the quality of human life (Todaro, 2006). Improvement of human quality is expected to make a beneficial contribution to the progress of an area, which is macro in the progress of a country. One indicator used to assess the human quality of an area is the Human Development Index (HDI). The HDI was first introduced by the United Nations Development Program (UNDP) in 1990 and is published regularly in the annual Human Development Report (HDR) report. HDI is formed by 3 (three) basic dimensions; (1) long life and healthy life (a long and healthy life) (2) knowledge, (3) decent standard of living (decent standard of living). The dimensions of longevity and healthy living are represented by life expectancy (UHH) indicators at birth, the dimension of knowledge is represented by indicators of long school expectations and average length of schooling (RLS), and the dimensions of standard of living deserve to be represented by per capita expenditure.

Although each year, the North Toraja HDI value continues to rise, but if you look at BPS release data in 2019, North Toraja ranks the 12th lowest HDI with 69.23 points. This achievement is relatively lower compared to areas that are relatively close to North Toraja such as Enrekang, Sidrap, and Palopo. This is certainly a concern of all, especially local governments.
The government in the context of creating people's welfare strives to make the benefits of development carried out acceptable to all parties including remote areas. In increasing development, many regions face limited ability to obtain income while the need for a very large budget. One bridge between the central and regional government is the Special Allocation Fund (SAF). For development funding originating from SAF, although the proportion of the total balance funds is relatively small (around 27%, APBN 2019), the emergence of various problems, perspectives, and constraints lately needs to be studied systematically and responded to with policies that are more aligned and appropriate target. It is undeniable that for certain regions, especially areas with low fiscal capacity where most of the General Allocation Fund (GAF) is used for employee salaries and other indirect expenditures, funding through SAF is one of their hopes (Bappenas, 2011).

From a theoretical perspective, Special Allocation Fund (SAF) applied in Indonesia so far includes conditions, limited closed grants, and binding commitments. That is, SAF in Indonesia is a conditional transfer with a specific purpose in which the amount of funds (ceiling) has been determined from the beginning. Theoretically, Boadway and Shah (2007) say that the type of grant corresponds to the weakest impact on 3 things: (a) Additional regional financial capacity; (B) Accountability budgetary accountability; and (c) community welfare. In fact, theoretically the conditional (output-based) grant pattern does not match this pattern establishes the conditions or specifications of the output that must be produced (not input as it is now) and gives local governments flexibility in the programs and strategies developed. In theory, the Special Allocation Fund (SAF) aims to provide incentives for governments at the sub-national level to carry out special activities that are usually a priority of the national level (Shah, 2007). In Indonesia, the SAF allocation policy has been implemented since 2003. SAF has only been allocated to 5 sectors, namely education, health, road infrastructure, irrigation infrastructure and government infrastructure.

The results of Bappenas research (2011), found that Special Allocation Fund (SAF) with the pattern and amount of allocation as applied so far, did not make a significant contribution to the goals (outcomes and impact) of national development which includes economic growth and HDI. This is also the case with the study of Widiyaningsih (2014) which found that transfer funds for both the General Allocation Fund (GAF) and SAF had no influence on HDI. On the other hand, research Novarianti (2016) found different results that SAF has an influence on HDI. With the context and perspective of the differences above, this study intends to analyze the effect of transfer funds on HDI in North Toraja Regency.

**Literature Review:**

**The Human Development Index (HDI)**

The Human Development Index (HDI) was first introduced in 1990 by the United Nations Development Program (UNDP). HDI is a comparative measurement of three indicators, namely: life expectancy at birth, adult literacy rate and mean years of schooling, and capacity purchasing (purchasing power parity). HDI can also be regarded as a composite index which is also an indicator that can describe the development of human development in a measured and representative manner.

According to (Todaro, 2003) the human development index (HDI) is a very useful tool for measuring the level of welfare between countries and between regions. HDI indicators far exceed conventional growth. Economic growth is important for maintaining people's welfare, but growth is not the end of human development. Growth is only one tool, more important is how economic growth is used to improve its human capabilities and how people
use these capabilities. One of the benefits of HDI is that this index reveals that a country or region can do much better at a low income level, and that large increases in income only play a relatively small role in human development (Todaro, 2003).

**Economic growth**

The theory of economic growth explains the factors that determine economic growth and how the linkages between these factors lead to the process of growth. There are many theories of economic growth but not one comprehensive theory that can be a standard standard, because each theory has its own peculiarities in accordance with the background of the theory. In this study, the theory of economic growth will be explained which is considered sufficient to explain the sources of economic growth, namely the Solow–Swan theory. This growth theory was developed by Robert Solow (Massachusetts Institute of Technology) and Trevor Swan (The Australian National University). According to this theory, economic growth depends on increasing supply of factors of production (population, labor, and capital accumulation) and the level of technological progress. This view is based on classical analysis, that the economy will continue to experience full employment and that the capacity of capital equipment will remain fully used over time.

According to Tambunan (2011) economic growth is the addition of gross domestic product (GDP), which means an increase in national income (PN). Meanwhile, according to Kuznets, economic growth is an increase in the long-term capacity of a country to provide various economic goods to its population. The increase in capacity itself occurs by the progress or technological, institutional and ideological adjustments to the demands of the existing situation (Todaro, 2000). According to Djiojohadikusumo (1994) economic growth is based on the process of increasing the production of goods and services in the economic activities of society. It can be said that growth involves a single dimension of development measured by increasing production and income.

**Fund Transfer Concept**

Fund transfers are basically designed to eliminate horizontal fiscal imbalances, which can be caused by tax revenue sharing or resources. In contrast to tax or resource revenue sharing, transfers are entirely the right of the central government so they are generally less potential than revenue sharing and are sometimes less predictable (Bappenas, 2011).

In general, there are two types of central to regional transfers, namely non-matching transfers and matching transfers. Non-matching transfers are given to regional governments without matching funds from the regions, and matching transfers are carried out if the regions are able to provide matching funds. Generally, all types of matching transfers are included in specific transfers, because these transfers are only to finance certain public services and services. Matching transfers can also be specified in open-ended matching transfers (if the funds provided are not limited) and closed-ended matching transfers (if the funds provided are limited to a certain level). Each type of transfer has different impacts in the provision of services, public services, and social welfare.

**Special Allocation Fund (SAF)**

According to Law Number 23 of 2014 concerning Regional Government, special allocation funds, hereinafter referred to as SAF, are funds sourced from APBN revenues allocated to certain regions with the aim of helping to fund special activities which are regional affairs and in accordance with national priorities, in accordance with functions which has been determined in the APBN. SAF can also be called an infrastructure fund because it is a capital expenditure to finance the investment in the procurement and repair of physical facilities and infrastructure with a long economic life. However, in certain circumstances, SAF can also help with the costs of operating and maintaining certain facilities and infrastructure for a limited period. The allocation of SAF is determined by taking into account the availability of funds in the APBN. SAF is distributed by way of transfer from the state general cash account to the regional general cash account. Therefore SAF is included in the APBD. SAF cannot be used to fund the administration of activities, preparation of physical activities, research, training and official travel.

According to Kuncoro (2004), the special allocation fund (SAF) is intended for special regions selected for special purposes. Therefore, allocations distributed by the central government are entirely the authority of the center for specific national objectives. These special needs are in accordance with the functions established by the State Budget. Special allocation funds (SAF) can be equated with development spending because they are used to fund the improvement of the quality of public services in the form of construction of public facilities and infrastructure (Ndadari and Adi, 2008). SAF is used entirely as capital expenditure by local governments. Capital expenditure is then used to provide fixed assets. According to Halim (2004) fixed assets owned by the use of capital expenditure are the main prerequisites in providing public services by local governments.
In accordance with Law Number 25 of 1999, what is meant by special needs are: (1) needs that cannot be estimated using the general allocation formula, in terms of needs that are not the same as the needs of other regions, for example: needs in transmigration areas, needs new types of investment / infrastructure, road construction in remote areas, primary irrigation channels and primary drainage channels; and (2) needs that are national commitments or priorities. SAF is used to improve public services such as the construction of hospitals, education, roads, markets, irrigation and clean water.

Research Methods:-
This study aims to examine and analyze the effect of transfer funds on the human development index in North Toraja Regency in 2009-2019. This type of research was conducted with quantitative descriptive research aimed at explaining an empirical phenomenon accompanied by statistical data, characteristics and patterns of relationships between variables. The variables used in the study are, the dependent variable is the human development index (HDI) and economic growth while the independent variables are Special Allocation Fund (SAF) and non SAF which includes the total General Allocation Fund (GAF) and Revenue Sharing Fund. This study uses secondary data on annual time series. The data used were obtained from several sources such as: (1) Regency / City Statistics Board in 2009-2018 figures; (2) North Toraja Regional Revenue Service. The analytical method used is multiple linear regression analysis (OLS). The variables in this study are the special allocation fund (X1), non SAF, economic growth (Y1), and HDI (Y2).

Results:-
Description of Research Results
Results of Multiple Linear Regression Analysis (OLS)
The estimation method used is the method of multiple linear regression analysis (OLS). This estimation method is used to determine the direct and indirect effects of special allocation fund (SAF) and non SAF on HDI through economic growth. Data used from 2009-2019. The OLS regression results are as follows.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>1.487123</td>
<td>0.557823</td>
<td>2.665941</td>
<td>0.0285</td>
</tr>
<tr>
<td>(X1)</td>
<td>-0.010150</td>
<td>0.007114</td>
<td>-1.426911</td>
<td>0.1914</td>
</tr>
<tr>
<td>(X2)</td>
<td>0.110754</td>
<td>0.026984</td>
<td>4.104513</td>
<td>0.0034</td>
</tr>
</tbody>
</table>

R-squared: 0.888689  Mean dependent var: 4.190919
Adjusted R-squared: 0.860861  S.D. dependent var: 0.031695
S.E. of regression: 0.011823  Akaike info criterion: -5.810600
Sum squared resid: 34.95830  Schwarz criterion: -5.702083
Log likelihood: 31.93520  Hannan-Quinn criter.: -5.879005
F-statistic: 1.659591  Durbin-Watson stat: 34.95830
Prob(F-statistic): 0.000154

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>63.31680</td>
<td>6.094593</td>
<td>10.38901</td>
<td>0.0000</td>
</tr>
<tr>
<td>Y1</td>
<td>0.347591</td>
<td>5.753028</td>
<td>6.461591</td>
<td>0.0353</td>
</tr>
</tbody>
</table>
R-squared 0.423127  Mean dependent var  66.11364  
Adjusted R-squared 0.385415  S.D. dependent var  2.089886  
S.E. of regression 2.177312  Akaike info criterion  4.557025  
Sum squared resid 42.66618  Schwarz criterion  4.629369  
Log likelihood 23.06364  Hannan-Quinn criter.  4.511421  
F-statistic 0.213066  Durbin-Watson stat  1.612441  
Prob(F-statistic) 0.655328 

Table 3 Effect of Economic Growth on North Toraja HDI

<table>
<thead>
<tr>
<th>Variable</th>
<th>Coefficient</th>
<th>Std. Error</th>
<th>t-Statistic</th>
<th>Prob.</th>
</tr>
</thead>
<tbody>
<tr>
<td>C</td>
<td>4.221767</td>
<td>0.066825</td>
<td>63.17657</td>
<td>0.0000</td>
</tr>
<tr>
<td>X1-Y1</td>
<td>0.003258</td>
<td>0.000986</td>
<td>3.303059</td>
<td>0.0108</td>
</tr>
<tr>
<td>X2-Y1</td>
<td>0.003194</td>
<td>0.001099</td>
<td>2.906008</td>
<td>0.0197</td>
</tr>
</tbody>
</table>

R-squared 0.605183  Mean dependent var  4.190919  
Adjusted R-squared 0.506479  S.D. dependent var  0.031695  
S.E. of regression 0.022266  Akaike info criterion  -4.544511  
Sum squared resid 0.003966  Schwarz criterion  -4.435994  
Log likelihood 27.99481  Hannan-Quinn criter.  -4.612916  
F-statistic 6.131288  Durbin-Watson stat  1.806087  
Prob(F-statistic) 0.024299

T-statistic test

T-statistic test is used to test the partial effect of the independent variables on the dependent variable or this test is carried out to test the level of significance of each independent variable (independent) in influencing the dependent variable (dependent).

The hypothesis of this test is:

H0 : β = 0, The independent variable does not affect the dependent variable. H1 : β ≠ 0, The independent variable influences the dependent variable.

Table 4 OLS Model t-statistical Test Results

<table>
<thead>
<tr>
<th>Variable</th>
<th>t-statistik</th>
<th>H0</th>
<th>explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>X1</td>
<td>-1.426</td>
<td>Not Rejected</td>
<td>Not significant</td>
</tr>
<tr>
<td>X2</td>
<td>4.104</td>
<td>Rejected</td>
<td>Significant at α = 0.05</td>
</tr>
<tr>
<td>Y1</td>
<td>6.461</td>
<td>Rejected</td>
<td>Significant at α = 0.05</td>
</tr>
<tr>
<td>X1-Y1</td>
<td>3.303</td>
<td>Rejected</td>
<td>Significant at α = 0.05</td>
</tr>
<tr>
<td>X1-Y1</td>
<td>2.906</td>
<td>Rejected</td>
<td>Significant at α = 0.05</td>
</tr>
</tbody>
</table>

Source: Author, processed 2020
Special Allocation Fund (SAF) variable to HDI
From the calculation results obtained t-statistics for the variable X1 of -1.426. This value is smaller than the t-table value at $\alpha = 0.05$, so H0 is not rejected. It can be concluded that partially the SAF variable does not significantly affect the North Toraja HDI variable directly.

NON Special Allocation Fund (SAF) variable against HDI
From the calculation results obtained t-statistics for the X2 variable of 4.104. This value is greater than the t-table value at $\alpha = 0.05$, so H0 is rejected. It can be concluded that the Non SAF variable partially has a significant effect on the North Toraja HDI directly.

Variable Economic Growth towards HDI
From the calculation results obtained t-statistics for the variable Y1 of 6.461. This value is greater than the t-table value at $\alpha = 0.05$, so H0 is rejected. Then it can be concluded that partially economic growth variables significantly influence North Toraja HDI.

Special Allocation Fund (SAF) variable to HDI North Toraja through Economic Growth
From the calculation results, the t-statistic value for X1-Y1 is 3,303. This value is greater than the t-table value at $\alpha = 0.05$, so H0 is rejected. It can be concluded that partially the SAF variable significantly influences North Toraja HDI through economic growth.

Non-Special Allocation Fund (SAF) variable to HDI North Toraja through Economic Growth
From the calculation results, the t-statistic value for X2-Y1 is 2,906. This value is greater than the t-table value at $\alpha = 0.05$, so H0 is rejected. Then it can be concluded that partially the non SAF variable has a significant effect on North Toraja HDI through economic growth.

Coefficient of Determination ($R^2$)
The coefficient of determination or the coefficient of determination $R^2$ is a number expressed in terms of percent, which shows the amount of influence of the independent variable on the dependent variable. The coefficient of determination $R^2$ is used to measure the correctness of the relationship of the model used which is a number that indicates the magnitude of the ability of the variance / distribution of the independent variables that explain the dependent variable. The value of $R^2$ is $0 \leq R^2 \leq 1$, where getting closer to 1 means that the model can be said to be good because the closer the relationship between the independent variables and the dependent variable, and vice versa.

The results showed an $R^2$ of 0.888 or 88.8 percent, which means that a change from the independent variable in this model could explain 88.8 percent of the dependent variable, while the remaining 11.2 percent was explained by other variables outside the model. This means that 88.8 percent of the change in North Toraja HDI values is influenced by changes in the values of Special Allocation Fund (SAF) and non SAF, while the remaining 11.2 percent is influenced by other variables that are outside the model. This shows that there is a very close relationship between changes in values in North Toraja HDI with changes in the factors that are assumed to influence it during the study period. From the regression results also obtained adjusted $R^2$ value, which is equal to 0.860. This means that after adjusting, changes in the dependent variable over the long term, namely the value of Indonesia's real economic growth are explained by changes in independent variables of around 86 percent, while the remaining 14 percent are explained by other factors not included in the model. This value is not much different from the coefficient of determination, it shows that most of the factors that influence changes in North Toraja HDI are already explained in the model.

Discussion:-

Based on OLS regression results, Special Allocation Fund (SAF) does not have a significant influence directly on North Toraja HDI. However, SAF has a significant positive and significant influence on North Toraja HDI indirectly through economic growth. This is strong evidence that SAF has a strong link with economic growth, and then affects North Toraja HDI. The regression coefficient shows 0.003, meaning that each 1 percent increase in SAF will increase 0.3 percent of North Toraja HDI through economic growth.

This is certainly in line with theory and previous research. The theory of economic growth that develops today is based on the production capacity of human labor in the development process or called investment in...
human capital. This means increasing the ability of the community to become the most efficient foundation in carrying out the development of an area. The amount of investment in the form of SAF for basic services such as education, health and infrastructure will encourage the quality of human resources so that they are more productive in carrying out economic activities.

Widodo, et al (2011) stated that human development is one indicator for the progress of a country, said that progress is not only calculated from gross domestic income (GDP) but also includes aspects of life expectancy and education of the people. Investment in terms of education is absolutely necessary, the government must be able to build a good education system and system. The budget allocation for government expenditure on education is a tangible manifestation of investment to increase community productivity. Development spending on the development sector can be allocated to provide educational infrastructure and provide educational services to the entire population of Indonesia equally. The implication of development in education is the quality of human life. In relation to the economy in general (national) the higher the quality of life of a nation, the higher the level of growth and welfare of the nation, the higher the quality of life / investment of high quality human resources will also have implications for the national economic growth rate.

According to Sjafii (2009) public sector investment in human development, namely government spending in education and health, is needed to improve the quality of human resources as seen from the HDI. Human development itself will be able to spur local economic growth.

Meanwhile, the results of non-SAF regression of North Toraja HDI showed significant results with coefficients of 0.110 and 0.003, respectively. This means that a 1 percent increase in the non SAF allocation will increase North Toraja HDI by 11.0 percent or 0.3 percent, both directly and through economic growth. This indicates so far in North Toraja that non-SAF allocations which are not specific to the basic services related to HDI, have had a profound effect on the quality of human resources both directly and through economic growth.

This is certainly in line with several previous studies such as Siswiyanti (2015) in his research on the influence of General Allocation Funds (GAF) and Revenue Sharing Funds (RSF) on economic growth as an intervening variable of the HDI of districts / cities in East Java. The results show a positive and significant relationship both directly and indirectly. Revenue Sharing Funds (RSF) and General Allocation Funds (GAF) are funds whose management and use are part of the authority of regional governments. The North Toraja Government is very concerned about improving HDI, so that both the RSF and GAF are often allocated by the government to finance education, health and infrastructure facilities and infrastructure.

Conclusion:-

Based on the results and discussion in the previous section, some conclusions in this study are as follows.

1. Human Development Index (HDI) is one indicator of the development of a region. North Toraja HDI has tended to increase persistently over the past ten years. This is in line with improvements in life expectancy, average length of schooling, length of schooling expectations, and real per capita expenditure in North Toraja.

2. OLS regression results show evidence that Special Allocation Fund (SAF) does not have a significant influence directly on North Toraja HDI. But indirectly or through economic growth, SAF has a positive and significant influence on North Toraja HDI. This means that so far the budget allocation policy for education, health and infrastructure has greatly supported the economic performance so that it has a positive impact on improving the quality of people in North Toraja.

3. Meanwhile, Non-SAF has a positive and significant influence on North Toraja HDI, both directly and through economic growth. This indicates that in general, balance funds from the central and provincial levels in addition to focusing on covering operational expenditure also focus on allocating basic services such as education and health. This is strong evidence that the North Toraja government is focused on improving human quality by paying attention to basic services.


44. Sjaffi, A. (2009). Pengaruh Investasi fisik dan investasi pembangunan manusia terhadap...


58. Undang-undang Nomor 23 tahun 2014 tentang Pemerintahan Daerah

59. Undang-Undang Nomor 25 tahun 1999 tentang Perimbangan Keuangan Antara Pemerintah Pusat Dan Daerah

60. Undang-Undang Nomor 33 tahun 2004 tentang Perimbangan Keuangan antara Pemerintah dan Pemerintahan Daerah

61. Undang-Undang Nomor 36 tahun 2009 tentang Kesehatan