























Based on Figure 5.5, it can be seen that the 5th largest DAK province in 2018 is West Java province, amounting to Rp. 9,745,959,529,000, followed by the province of East Java for Rp. 7,150,849,653,000, then followed by Central Java province with Rp. 6,756,316,086,000, then followed by the province of North Sumatra for Rp. 4,082,135,830,000 and finally the province of South Sumatra, amounting to Rp. 3,963,919,750,000.

Meanwhile, the lowest DAK for province 5 for each province was Bengkulu province with Rp. 122,242,000,000, followed by North Kalimantan province Rp. 354,147,252,000, then followed by Gorontalo province Rp. 395,084,000,000, then West Papua province of Rp. 452,641,469,000, and the province of BaBel Islands Rp. 477,959,139,000.

### Analysis Results

The data analysis used to discuss the problems in this study is the path analysis technique. Path analysis technique is a statistical technique for analyzing the causal relationship that occurs in multiple regression if the independent variable affects the dependent variable not only directly but also indirectly which allows the testing of a relatively complex series of relationships.

The collected data is then processed using SPSS version 22 software. After the data is processed, the output produced is as follows:

Table 2  
Direct Effect of Relationship Between Variables

Direct Effect							
Variabel	B	SE	Beta	T tabel	t	Sig.	Ket.
DAK→IPM	0.014	0.004	0.389	1.9814	3.335	0.001*	S
DD→IPM	-0.016	0.006	-0.287	1.9814	-2.464	0.015**	S
DAK→Economic	0.077	0.222	0.042	1.9814	0.348	0.729	TS
DD→ Economic	-0.248	0.342	-0.089	1.9814	-0.726	0.469	TS
DAK→GR	-0.001	0.003	-0.045	1.9810	-0.373	0.710	TS
DD→GR	0.010	0.004	0.276	1.9810	2.348	0.021**	S
IPM→GR	-0.140	0.065	-0.203	1.9810	-2.152	0.034**	S
Economic →GR	0.002	0.001	0.172	1.9810	1.909	0.059***	S

Source: processed data, 2020

Information:

\*\*\* significant  $\alpha = 1\%$

\*\* significant  $\alpha = 5\%$

\* significant  $\alpha = 10\%$

### Discussion

#### 1) The Effect of Fiscal Transfers on Human Development

Based on the research results, it shows that fiscal transfers in the form of special allocation funds have a significant positive effect on human development. Increasing the number of special allocation fund transfers will increase the human development index

The results of this study are in line with the hypothesis which states that fiscal transfers have a positive effect on human development, where an increase in the transfer of special allocation funds will increase the human development index.

## 2) The Influence of Village Funds on Human Development

Based on the research results, it shows that village fund transfers have a significant negative effect on human development. Increasing the number of village fund transfers will lower the human development index. The results of this study are not in line with the initial hypothesis which states that village fund transfers will have a positive effect on human development.

## 3) The Effect of Fiscal Transfers on Economic Growth

Based on the research results, it shows that fiscal transfers do not have a significant effect on economic growth. This means that increasing fiscal transfers will not increase economic growth. The results of this study contradict the initial hypothesis which states that fiscal transfers will have a positive effect on economic growth. However, the results of this study are supported by research conducted by Anis Setiyawati (2007) who obtained a direct test that DAK has no positive effect on economic growth. This research is also in line with research conducted by Ulfi Maryati (2010) which concluded that the Special Allocation Fund (DAK) has no significant positive effect on economic growth.

## 4) The Effect of Village Funds on Economic Growth

Based on the research results, it shows that village fund transfers do not have a significant effect on economic growth. This means that the increase in village funds will not increase economic growth. The results of this study contradict the initial hypothesis which states that village fund transfers will have a positive effect on economic growth. This study is also not in line with the results of research conducted by Lin (2012), who found that the main key to economic growth in China according to the results of his research is through fiscal reform and rural reform. The existing fiscal decentralization in China has made a significant contribution to economic growth.

## 5) The Effect of Fiscal Transfers on Income Inequality

The research results show that fiscal transfers in the form of special allocation funds do not have a significant effect on income inequality. This means that the increase in fiscal transfers in the form of special allocation funds will not increase or decrease income inequality as measured in the form of the Gini ratio. The results of this study contradict the initial hypothesis which states that fiscal transfers will have a negative effect on income inequality.

## 6) The Effect of Village Funds on Income Inequality

Based on the research results, it shows that village fund transfers have a significant positive effect on income inequality. An increase in the number of village fund transfers will increase income inequality when measured using the Gini ratio index. The results of this study are not in line with the initial hypothesis which states that village fund transfers will have a negative effect or reduce the level of income inequality. The results of this study contradict research conducted by Andi Setiawan (2019), who in his research found that since the implementation of village funds, it has had an effect on reducing the rate of inequality.

## 7) The Effect of Human Development on Income Inequality

Based on the research results, it shows that human development as seen in the human development index has a significant negative effect on income inequality. This means that the increase in human development will have an effect on reducing income inequality. The results of this study are in line with the initial hypothesis which states that human development will

have a negative effect on income inequality. Where every increase in the human development index will reduce the income inequality rate.

#### 8) The Effect of Economic Growth on Income Inequality

Based on the research results, it shows that economic growth has a significant positive effect on income inequality. Increased economic growth will increase income inequality.

The results of this study are not in line with the hypothesis which states that economic growth has a negative relationship to income inequality, where an increase in economic growth will reduce the unemployment rate.

#### 9) The Indirect Effect of Fiscal Transfers on Income Inequality through Human Development

Based on the research results, it shows that fiscal transfers in the form of special allocation funds have a significant negative effect on income inequality through human development.

This study found that, if the special allocation fund transfers are channeled to improve human development such as education and health, it will have an effect on reducing income inequality. Fiscal transfers are expected to improve people's welfare. The main objective of regional autonomy and fiscal decentralization policies is to accelerate the realization of an increase in the welfare of all people (Bappenas, 2007).

#### 10) The Indirect Effect of Fiscal Transfers on Income Inequality through Economic Growth

Based on the research results, it shows that fiscal transfers in the form of special allocation funds are not significant to income inequality through economic growth. This means that fiscal transfers in the form of special allocation funds do not have an effect on income inequality through economic growth.

Kuznets argues that in the early stages of growth, both the economy and income inequality will increase equally. But at a later stage, the income distribution will gradually improve and the level of inequality will decrease. This phenomenon is known as the Kuznets hypothesis "inverted U-curve", which connects GDP per capita with the level of income inequality.

#### 11) The Indirect Effect of Village Fund Transfers on Income Inequality through Human Development

Based on the research results, it shows that village fund transfers have a significant effect on income inequality through human development. The results of this study illustrate that there is a positive effect of village funds on income inequality after going through human development, meaning that the transfer of village funds after going through human development actually increases income inequality. This is due to the ineffective use of village funds and inaccurate village fund budget allocations. The results of this study contradict research conducted by Andi Setiawan (2019), who in his research found that since the implementation of village funds, it has had an effect on reducing the rate of inequality.

#### 12) The Indirect Effect of Village Fund Transfers on Income Inequality through Economic Growth

Based on the research results, it shows that village fund transfers are not significant to income inequality through economic growth. This means that the transfer of village funds has no effect on inequality after going through economic growth.

The economic growth that has been achieved is often unable to solve the problem of income inequality. This is because growth only measures the accumulated income of an area in general, regardless of income distribution and distribution. In addition, the use of village funds

still focuses on the physical infrastructure sector and sectors that have not had direct contact with increasing the capacity of individual communities in the village

## **V. CLOSING**

### **CONCLUSION**

Based on the research that has been done, several conclusions are obtained including:

1. Fiscal transfers in the form of special allocation funds do not directly affect income inequality in Indonesia. Fiscal transfers in the form of special allocation funds indirectly through human development have a significant negative effect on income inequality. Fiscal transfers in the form of special allocation funds indirectly through economic growth have no effect on income inequality. This means that the special allocation fund policy is less than optimal in reducing regional income inequality. The non-impact of the transfer of the special allocation funds directly on reducing income inequality is not due to the small amount of the special allocation funds, but because the use of the special allocation funds in the regions has not been maximized, which has implications for reducing income inequality. Apart from that, the lack of effective governance in implementing the special allocation funds tends to be managed based on the national plan and does not pay attention to regional needs.
2. Transfer of village funds directly has a positive effect on income inequality. Transfer of village funds indirectly through human development has a positive effect on income inequality. Transfer of village funds indirectly through economic growth has no effect on income inequality. This means, since the launch of the village fund from 2015 it has not maximally reduced income inequality in the regions, but has actually had an effect on increasing income inequality. Village funds have not been maximized to reduce inequality due to the inadequate use of village funds, especially in the field of empowerment and development of village communities. In addition, the village fund budget that focuses on village development and infrastructure is only enjoyed by the elite group in the village which results in increased income inequality.

### **SUGGESTION**

To reduce income inequality in Indonesia, there are several things that should be considered by the government, including:

1. The government as a determinant of fiscal policy should focus more on specific allocation of fiscal transfers that are more targeted in improving the provincial economy in Indonesia, by taking into account the targeted sector of special allocation funds that will increase human productivity so as to encourage inclusive economic growth and contribute to the decline. level of income inequality in Indonesia. In addition, there needs to be a synergy in the role of special allocation funds which are national priorities and also the needs of local governments in the infrastructure sector in the annual work plan.
2. It is hoped that policy makers will make new formulations in the use of village funds so that they are more targeted towards increasing income and community empowerment so that they can create even income. The government needs to change the formula for distributing village funds to regions so that it can overcome inequality. In addition, the government must affirm the provision of funds to underdeveloped and very

underdeveloped villages, especially in disadvantaged areas, borders and islands. This is because, even though there has been a provision of village funds, the number of underdeveloped and very underdeveloped villages is still quite large.

3. It is hoped that the Indonesian people will further improve the quality of human resources so that they can compete well in the national arena so that unemployment decreases and results in a decrease in income inequality.

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