Regency and City Disparity Analysis in Indonesia

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Abstract. This study aims to describe the welfare disparity between districts and cities in Indonesia in the 2016-2019 period. Using quantitative analysis, it was found that spatially, the distribution of GRDP in Indonesia was mostly in the below-average category, both in 2016 and 2019. The results of spatial distribution also show that the higher the number of populations in an area, it will affect the regional income level of the region. Based on the sector, it can be seen that in general, regencies/cities in Indonesia are engaged in agriculture, forestry and fisheries so that inputs or policies to be implemented must pay attention to the dominant sector so that they can minimize existing disparities.

1 Introduction

According to experts, the change in the system of government from a centralistic to decentralization turned out to have an influence on the disparity in the level of welfare of society between regions [1]. Therefore, researchers suspect that this is also true in Indonesia, where the disparity levels between districts and provinces in Indonesia has changed. In economics there are two different views on their respective grounds regarding the effect of decentralization on the level of welfare of the people between these provinces. First, the theory of public choice rooted in the neoclassical school argues that decentralization can improve the efficiency of resource allocation through meeting the needs and preferences of the population better local, due to better knowledge of the needs and preferences possessed by local governments. This advantage in efficiency will be reinforced by the mobility of the population who can choose to live in the area that best suits their preferences. Instead, proponents of the school of Keynesian argue that decentralization will reduce the capacity of the central government to use policies to reduce the effects of fluctuations in production and labor [2]. The greater decentralization will reduce efficiency in setting macroeconomic goals, will increase diffusion in the use of policy instruments, and lowering the level of coordination ability between governments.

Considering that the two views above have been proven by the results of research in various places around the world, the two followers of the above school dare to claim the truth of each theory. This shows that decentralization can lead to an increase or decrease in the disparity in the level of welfare between regions at the district/city level between provinces. Up to now, there is no theory which applies to cases of disparity in the level of community welfare between districts/cities in a province. This condition attracted the attention of researchers to find out which view is more appropriate for the case of Indonesia. Conducting this research is an important issue, because without knowing which opinion is more appropriate, it will make it difficult for the government to formulate public policies in terms of reducing the disparity/disparity in the welfare of communities between provinces and in the country.

This disparity in welfare levels between provinces needs important attention because according to reference [1], the disparity in welfare levels between regions will cause: disappointment and dissatisfaction and perhaps even resistance from people living in impoverished areas [3]. Especially those who find it difficult to find a job and a decent livelihood, because of situations that are beyond their ability. In addition, the economic costs are becoming enormous in rapidly growing urban areas due to the excess demand for social infrastructure and public services, while vice versa in the backward areas, social infrastructure and public services are not utilized optimally.

By utilizing data at the city district level in all regencies/cities (514 regencies/cities), this study will use convergence theory methods in neoclassical schools and models based on the theory of new economic geography, to see the value and trend of welfare level disparities between regencies/cities in Indonesia, compare the advantages and disadvantages of each theory and test the influence of factors that are strongly suspected to be the root of the cause of the disparity in welfare levels between regencies/cities in Indonesia, compare the advantages and disadvantages of each theory and test the influence of factors that are strongly suspected to be the root of the cause of the disparity in the level of welfare between regencies/cities in Indonesia, compare the advantages and disadvantages of each theory and test the influence of factors that are strongly suspected to be the root of the cause of the disparity in the level of welfare between regencies/cities in Indonesia, compare the advantages and disadvantages of each theory and test the influence of factors that are strongly suspected to be the root of the cause of the disparity in the level of welfare between regencies/cities in Indonesia, compare the advantages and disadvantages of each theory and test the influence of factors that are strongly suspected to be the root of the cause of the disparity in the level of welfare between regencies/cities in Indonesia.
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Reference [5] also tried to conduct an investigation into the convergence of regional income in Asia. Empirical findings can be summarized into three main points. First, there are two convergences in Northeast Asia, namely the convergence of income between China and Japan and the convergence of income between South Korea and Japan. However, there is no convergence between China and South Korea. Second, there are two common convergences in Southeast Asia, namely the convergence of income between Thailand and Malaysia and the convergence of income between Indonesia and Malaysia. However, there is a difference in income between Indonesia and Thailand. Third, there are three income convergences in South Asia, namely income convergence between Bangladesh and India, income convergence between Pakistan and India and income convergence between Bangladesh and Pakistan. In conclusion, the new unit root test detected a trend of greater income convergence in South Asia where there was no major problem of income inequality among the three major economies in the region. In contrast, the New Unit Root test also showed a relatively weaker convergence of incomes in Northeast Asia and Southeast Asia.

Meanwhile, in Indonesia, research on convergence was carried out by, among others: reference [6] also conducted a regional disparity analysis in 2010 - 2019 occurred because the profit sharing of natural resources that influenced the increase in disparities For investment variables did not have a significant influence on disparities and the correlation between economic growth and inequality had a weak relationship. Reference [7] also examined regional disparities in agropolitan areas in North Sumatra. Factors of labor productivity, economic agglomeration, capital expenditures and gross fixed capital formation have a significant influence on income inequality.

Reference [8] see that since 1993, Indonesia has experienced a restructuring of state power upwards and downwards through the ASEAN Free Trade Agreement (AFTA) and fiscal decentralization, respectively. In this study, we investigated the impact of country restructuring on regional inequalities. Indonesia is an interesting case because it is one of the few economies in which the restructuring of state power upwards and downwards occurs almost simultaneously. Based on the analysis of data panel data of micro-level enterprises for the period 1993-2005, we found evidence of neoclassical convergence. In addition, decentralization was invented to slow down this convergence. The results of the study of reference [9] saw that disparity in western Indonesia was greater than in eastern Indonesia. The different factors that affect disparity in western Indonesia and eastern Indonesia, including the increase in electricity distribution and investment, have a significant effect on reducing inequality in the West Indonesia Region.

2 Research Method

This study is a study that uses quantitative analysis based on data on data from urban districts in Indonesia as a unit analysis. The data used is planned to be data for the 2016-2019 period taken from the Central Statistics Agency (BPS), Bappeda and Balitbangda at the district / city and provincial levels in Indonesia as well as interviews and field data collection in Regencies and Cities.

3 Results and discussion

Based on the analysis of the GRDP sector in Indonesia, the largest sector is dominated by the Agriculture, Forestry, and Fisheries/Agriculture, Forestry and Fishing sectors, while the smallest sector is dominated by the Water Procurement, Waste Management, Waste and Recycling/Water supply, Sewerage, Waste Management and Remediation Activities sectors which can be seen in the chart below:

![Fig. 1. PDRB Sektoral Tertinggi Per Kabupaten/Kota di Indonesia Tahun 2019.](https://doi.org/10.1051/shsconf/202214903011)

![Fig. 2. PDRB Sektoral Terendah Per Kabupaten/Kota di Indonesia Tahun 2019.](https://doi.org/10.1051/shsconf/202214903011)
Judging from the distribution of GRDP in Indonesia based on the average in 2016, regencies/cities in Indonesia are mostly below average with a percentage of 77.82% (400 regencies/cities) while those above the average percentage of 22.18% (114 regencies/cities) are presented in the picture below.

Fig. 3. The Average GDP of Districts/Cities in Indonesia, 2016

There was only a slight difference in 2019 the average percentage of GRDP in Indonesia based on Regencies/Cities with regions that have a GRDP below the average increased to 78.02% (401 Regencies/Cities) while for regions that have an average GRDP it was reduced to 21.98% (113 Regencies/Cities). It can be seen that there is only a difference of 1, but the dynamics of changes in the average GRDP during 2016 - 2019 with changes from below average to above average, namely occurred in South Manokwari Regency, Tarakan City and Cimahi City. Meanwhile, the changes that have decreased from above average to below average include Ciamis Regency, West Sumbawa Regency, Bone Regency and Bintuni Bay Regency.

Based on the per capita GRDP, the disparity is obvious in areas that have a large population. Judging from the results of the interpretation of data presented in the form of a map of Regencies / Cities in Indonesia, it is generally in the category below the average both in 2016 and 2019 which can be seen in the figure below.

Fig. 4. The Average GDP of Districts/Cities in Indonesia, 2019

Fig. 5. The Average GDP Per Capita of Districts/Cities in Indonesia, 2016

Fig. 6. The Average GDP Per Capita of Districts/Cities in Indonesia, 2019

Seen in the picture above, regencies/cities that have a GRDP Per Capita above the average in 2016 are only around 8.56% (44 regencies/cities) while those below the average range from 91.44% (470 regencies/cities). In 2019 there was a decrease in the per capita PDRP rate above the average to 7.39% (38 regencies/cities) while the below-average increased to 92.61% (476 regencies/cities). Some areas that experienced dynamics from the per capita GRDP level above average to below average include Indragiri Hulu Regency, Pelalawan Regency, Rokan Hilir Regency, Dumai City, Nunukan Regency, Morowali Regency and Jayapura City. Meanwhile, the dynamics of the GRDP level per Capita from below average to above average, namely in South Manokwari Regency.

4 Conclusion

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References


