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Analysis of the Effect of Small Medium Micro Businesses, Gross Regional Domestic Products, and Regional Investments on Regional Original Revenue in District/City in Central Java Province, 2018 - 2020

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Abstract: This study aims to analyze the effect of micro, small and medium enterprises, gross regional domestic product, and regional investment on local revenue. The population in this study were all districts/cities in Central Java Province. The sampling method used in this study is *Purposive Sampling* which uses certain criteria as the basis for sampling.The data used in this study uses data *time series* which has a term from 2018 to 2020.The data analysis method uses multiple linear regression analysis with the help of *software* SPSS 21. The results show that gross regional domestic product has an effect on regional original income, while micro, small and medium enterprises and regional investment have no effect on regional original income.

Keywords:micro, small and medium enterprises, gross regional domestic product, regional investment, local revenue

I. INTRODUCTION

Regional original income is one source of revenue for a region in Indonesia which comes from revenue in an administrative area(Asih&Irawan, 2018). Regional original income has components in it as a source of regional original income, namely regional taxes, regional levies, separated regional management results, and other regional original income. In financing regional development, one of the capitals used as a spearhead is sourced from local revenue(Kurniawan et al., 2017).

Micro, Small and Medium Enterprises are one of the community-based elements that build the Indonesian economy. Micro, small and medium enterprises themselves also need assistance from the local government where the local government issues or spends the regional budget and can add assets that are used as facilities and infrastructure for the smooth running of community pilots in starting micro businesses(Lutfiyah&Fatmawati, 2016). The purpose of micro, small and medium enterprises itself is to market local products from certain regions, so that they have more value or value in building the economic growth of autonomous regions(Ikhsan et al., 2019). One of the obstacles in implementing micro, small and medium enterprises is the lack of an entrepreneurial spirit on the basis of individuals, entities, organizations or a country. The lack of an entrepreneurial spirit is also caused by the central government and local governments not being able to provide full employment opportunities to recruit job seekers(Wikardojo, 2019). Another goal of development through micro, small and medium enterprises is none other than in the context of humanizing development(Sayuti, 2020). In research Wikardojo (2019)explained in that the role of the government in developing the economy of the micro, small and medium business sector by one way of increasing the income of an administrative area is something that really needs to be improved again.

Gross regional domestic product is the value of all goods and services produced within one year in a certain administrative area or autonomous region without distinguishing ownership of factors of production, but rather requires the presence of factors of production used in the production(Saldi et al., 2021). Gross regional domestic product is one of the factors that support the economy in terms of production by the community or certain agencies without being bound in the implementation of production(Juwita& Widia, 2022). Research fromSaldi et al. (2021)explained that the gross regional domestic product has an effect on local revenue. While in researchJuwita& Widia (2022)explained that gross regional domestic product has no effect on local revenue. The lack of utilization and constraints of facilities in processing in the production process that occurs make the gross regional domestic product unable to support regional original income.

Investment for a region that encourages the economy of a region in order to improve the level and quality and generate regional potentials that still need attention in order to become a truly adequate source of regional income(Rosita Arini&Wulan Kusuma, 2019). One of the main sources of economic growth is investment to support or encourage economic development(Simanjuntak&Sa'roni, 2019). The main characteristic of a region to be able to carry out autonomy is its regional financial capacity, which means that the region must have the authority and ability to explore financial sources, manage and use its own financial system sufficiently to carry out all local government activities and minimize dependence on the central government(Batik, 2013). Research conducted byMenajang. H (2012) explained that investment did not have a significant effect due to several factors from the government such as providing definite penalties for illegal investments, ease of obtaining legality and permits, and infrastructure improvements required to increase regional investment. Another obstacle that hinders regional investment is the lack of assets that are used as initial forms of capital that are still lacking as facilities and infrastructure for regional investment from within and outside the region.

Based on the phenomena mentioned and differences in research related to the factors that affect local revenue. There are several other obstacles that affect local revenue originating from outside and within, the researchers are interested in conducting research on the analysis of the influence of micro, small and medium enterprises, gross regional domestic product, and regional investment on local revenue.

II. LITERATURE REVIEW

Regional autonomy

UU no. 23 of 2014 which regulates regional government in article 1 paragraph 6, what is meant by regional autonomy is the rights, powers and obligations of autonomous regions to regulate and manage their own government affairs and the interests of the local community in the system of the unitary state of the Republic of Indonesia. Problems that often occur. The problem that often occurs is that local governments are given the authority to regulate their own regions in regulating economic activities(Mulyani&Ramdini, 2021).

Locally-generated revenue

According to Law no. 33 of 2004 Regional Original Revenue is a source of revenue obtained from sources within its own territory which is collected based on regional regulations in accordance with the laws and regulations in force in the region. Local revenue shows the effectiveness of the local government in managing the potential of the area to be used as revenue autonomously which is used for the welfare of the community(Anggara&Cheisviyanny, 2020). According to Law no. 33 of 2004, sources of regional original income are regional taxes, regional levies, the results of separated wealth management, other legitimate regional original revenues.

Micro Small Medium Enterprises

According to Law no. 20 of 2008 micro-enterprises are productive businesses that are run or owned by individuals or individual business entities that meet the criteria for micro-enterprises, after that small businesses are productive economic businesses that are run by people or business entities that are not subsidiaries or branches of companies that are owned or controlled(Wikardojo, 2019). and become part of a medium or large business and in accordance with the criteria of a small business. And lastly, medium-sized businesses are productive economic businesses that stand alone, which are carried out by individuals or business entities that are not subsidiaries or branches of the company and are not part of a small business or large business and in accordance with the criteria for medium-sized businesses.

Gross Regional Domestic Product

Gross regional domestic product is the value of all goods and services produced within one year in a certain area without distinguishing ownership of factors of production, but rather requires the presence of factors of production used in the production(Saldi et al., 2021). With the increase in gross regional domestic product, it will increase local government revenues that can be used to finance government programs or the development of facilities and infrastructure, so as to improve public services which are expected to increase productivity.

Regional Investment

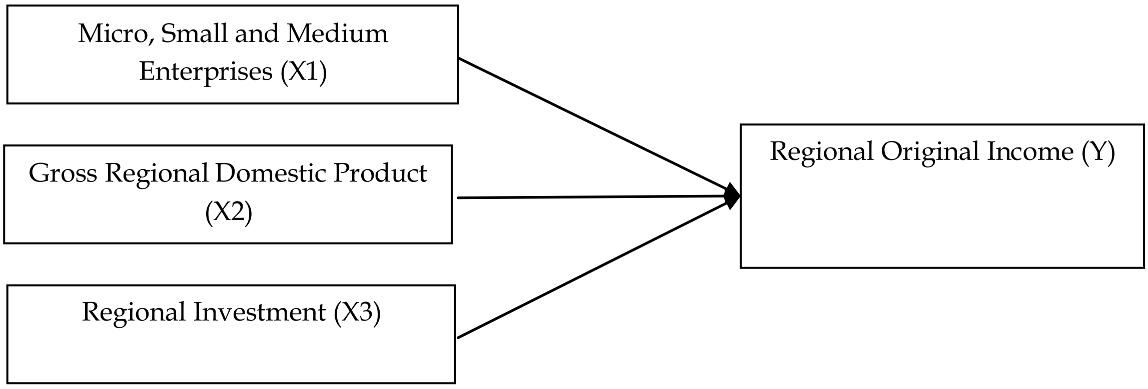
According to PP No. 49 of 2011 concerning government investment which is called government investment is the placement of a number of funds or goods in the long term for investment in purchasing securities and direct investment to obtain economic, social and other benefits. Regional investment itself has a purpose, namely in the context of economic development for the realization of the ideal order of an area into a more advanced region in line with economic competition at home or abroad (Anggara & Cheisviyanny, 2020).

The regression model of this study can be described with a scheme such as the following:

H1: Micro, small and medium enterprises have an effect on local revenue

H2: Gross regional domestic product has an effect on local revenue

H3: Regional investment has an effect on local revenue



III. METHODOLOGY

This type of research is quantitative. The population of this research is all regencies/cities in Central Java Province. The sampling method in this study uses purposive sampling by using certain criteria as the basis of the information used as research material. The method of collecting data from this study uses documentation techniques, namely secondary data collection obtained from BPS and DJPK. The analysis used in this study is multiple linear regression analysis with the help of SPSS software (Statistical Product and Service Solution) 21.

IV. RESULTS

Table of Multiple Regression Test Results

Variable	Regression Coefficient	Tcount	*Sig*
Constant	1,501	9,177	0.000
Micro Small Medium Enterprises	1,212	0.790	0.431
Gross Regional Domestic Product	0.009	12,325	0.000
Regional Investment	0.097	1,470	0.145
R2 = 0.804		Fcount =	56,211
Adjusted R2 = 0.647		*Sig*=	0.000

Source: Secondary Data processed, 2022

The regression equation model used in this study is as follows:

PAD = 1,501 + 1,212 MSMEs + 0.009 GRDP + 0.097 ID +

From the regression equation described above, it can be interpreted as follows:

1) The constant value described has a value of 1.501, which means that the independent variables of the study, namely micro, small and medium enterprises, gross regional domestic product, and regional investment can be assumed to have an effect on local revenue.
2) The regression coefficient value of the micro, small and medium enterprises variable shows a value of 1.212 and is positive. It can be interpreted that the higher the micro, small and medium enterprises, the local revenue will increase. And vice versa, if the lower the micro, small and medium enterprises, the local revenue will also decrease.
3) The regression coefficient value of the gross regional domestic product variable shows a value of 0.009 and is positive. It can be interpreted that the higher the gross regional domestic product, the local original income will increase. And vice versa, if the value of the gross regional domestic product is lower, the regional original income will decrease.
4) The regression coefficient value of the regional investment variable shows a number of 0.097 and is positive. It can be interpreted that the higher the regional investment, the local revenue will increase. Vice versa, the lower the regional investment value, the regional original income will decrease.

Discussion of Analysis Results

The Influence of Micro, Small and Medium Enterprises on Regional Original Income

The results of statistical tests on the partial test (t) show that the micro, small and medium enterprises variable has a t-value of 0.790 with a significance level of 0.431 > 0.05 or 5%, which means H1 > 0.05, the hypothesis is rejected. It can be interpreted that micro, small and medium enterprises have no effect on local revenue. These results are the same as previous research conducted by Wikardojo (2019)which states that micro, small and medium enterprises have no significant effect on local revenue. The role of local governments is very important where local governments issue budgets and spend regional budgets and add assets that are used for the smooth running of community business startups. full employment to recruit job seekers(Sayuti, 2020).

The Effect of Gross Regional Domestic Product on Regional Original Income

The results of statistical tests on the partial test (t) show that the gross regional domestic product variable has a t-count value of 12.325 with a significance level of 0.000 <0.05 or 5%, which means H2 <0.05, the hypothesis is accepted. These results can be interpreted that the gross regional domestic product has an effect on local revenue. This result is supported bySaldi et al (2021) which explains that gross regional domestic profuct has effect on local revenue. The results are different from the research conducted byJuwita& Widia (2022)which explains that gross regional domestic product has no effect on local revenue. Facilities in the processing and processing of raw materials in the production process also affect so that the total production value continues to increase, because gross regional domestic product is one of the supporting factors for the economy based on the economy of the community or certain entities without being bound in a production implementation(Juwita& Widia, 2022).

The Effect of Regional Investment on Regional Original Income

The results of statistical testing on the partial test (t) show that the regional investment variable has a t-count value of 1.470 with a significance level of 0.145> 0.05 or 5%, which means H3 <0.05, the hypothesis is rejected. These results can be interpreted that regional investment has no effect on local revenue. This research is supported by research conducted byKlara et al (2019)which states that regional investment has no effect on local revenue. The results of this study are different from research fromTianto (2022)which explains that investment has a significant effect and there is a positive relationship to local revenue. Constraints that often affect reducing regional investment to local revenue are the development of assets owned is not too significant and the lack of asset value.

V. Conclusion

This study empirically proves that the independent variable that affects the independent variable is regional original income, only the gross regional domestic product variable that affects regional original income. The variables of micro, small and medium enterprises and regional investment have no effect on local revenue.

Acknowledgments

An acknowledgment section may be presented after the conclusion, if desired

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