POLITICAL COMPETITION AND LOCAL REVENUE: HOW ARE THEY RELATED? (CASE STUDY OF REGENCY/ CITY ON PAPUA ISLAND 2017-2021)

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Abstract

Democracy today is very important because all citizens are given relatively equal rights in making decisions that can change their lives for the better. Some previous studies have shown that the amount of allocated funds distributed tends to correlate with areas that have been controlled by the party that is currently in control of the government. This study will focus on examining the impact of political concentration on the allocation of DAU and DAK, which will indirectly impact PAD. This research uses quantitative analysis of secondary data with the object of researching all districts and cities in Papua Province and West Papua Province in the period 2017-2021. The analytical method used in this research is multiple linear regression analysis. The results found in this study are that there is a positive correlation between HHI and DAU per capita and DAK per capita. However, in statistical testing, the effect of HHI does not appear to be significant on PAD per capita within a district/city area in Papua Province and West Papua Province.

Keywords: Political Competition, Budget Politics, Political Economy, and PAD

Abstrak

adannya korelasi positif antara HHI terhadap DAU per kapita dan DAK per kapita. Namun dalam pengujian statistika, pengaruh dari HHI tidak terlihat secara signifikan terhadap PAD per kapita di dalam suatu wilayah kabupaten/ kota di Prov. Papua dan Prov. Papua Barat.

Kata Kunci: Kompetisi Politik, Politik Anggaran, Ekonomi Politik, PAD

INTRODUCTION

Today, democracy has become crucial because all citizens have relatively equal rights to make life-improving decisions. Papua and West Papua, provinces of the Papua island region that have long practiced democracy and regional autonomy, are also democratic and autonomous. Until now, the provinces of Papua and West Papua have implemented democracy through general elections. Papua and West Papua provinces have been holding democratic elections for some time. Parties are required by election laws and regulations to nominate candidates for House of Representatives (DPR) seats, provincial DPRD seats, and district/city DPRD seats. Consequently, DPR and DPRD members are automatically elected from political organizations.

As it is now practiced, democracy is a political system in which the people, as the most sovereign group, participate in the process of filling political positions. To assure the efficacy of democracy, a mechanism is created to include the populace in the process of filling political positions. As an instrument for realizing political liberties such as the right to vote and the right to run for office, this document establishes universal suffrage. To date, it has been established that political parties recruit members who are entrusted by the elected group to become members of the DPR/DPRD and who carry out their responsibilities in accordance with the articles of association. So it can be stated that the DPR/DPRD has responsibilities that must be carried out in accordance with the desires and aspirations of the community.

The implementation of the government decentralization program and the transfer of government affairs to regional leaders must be followed by the proper regulation, distribution, and utilization of public resources. Such agreements include financial balance agreements between the central and regional administrations. Currently, DAU and DAK are derived from APBN revenues allocated to municipalities by the state. In contrast, PAD is defined as revenue collected through regional regulation and in accordance with regional law. The existence of PAD is influenced directly or indirectly by DAU and DAK of the central government via APBN. The graph below
illustrates the distribution of DAU and DAK funds in Papua Province:

![Image](https://djpk.kemenkeu.go.id)

Figure 1. DAU and DAK Papua Province Year 2017-2021 (Milyar Rupiah)
(Source: https://djpk.kemenkeu.go.id)

Geographically, Papua Province has a greater proportion of land compared to West Papua Province. Due to the large number of regencies and localities in Papua, Papua Province receives a larger allocation of DAU and DAK funds than West Papua Province. Considering the ratio between DAU and DAK, it is obvious that the DAU allocation in a province is greater than the DAK allocation. In the meantime, the distribution of DAU and DAK in all districts and localities of West Papua Province is as follows:

![Image](https://djpk.kemenkeu.go.id)

Figure 2. DAU and DAK West Papua Province Year 2017-2021 (Billion Rupiah)

(Source: https://djpk.kemenkeu.go.id)

Due to the small number of districts and cities in West Papua, the DAU and DAK fund allocations in West Papua Province are relatively small.

Several cases indicate that the allocation of intergovernmental funds is still heavily influenced by political considerations, as shown by research conducted in various regions both nationally and internationally. (Rezki, 2022). In a number of similar studies conducted in the United States, the results indicate that a greater proportion of allocation funds distributed in the United States region tend to go to states that have been governed by the party that presently controls the United States Congress. According to the research, political competition and electoral participation can affect the effectiveness of governance (). (Marín et al., 2021). Current data indicates that raised political power can influence economic resources and access, particularly in terms of policy (Woldesenbet, 2020). (Woldesenbet, 2020). During legislative meetings, political competition can reconcile the provision of public goods (Gottlieb, 2018). A general study on political factors and the allocation of intergovernmental funds in Indonesia revealed a negative and significant relationship between the proportion of seats held by a particular party and the DAU
allocation per capita received by each region in the province, strengthening the argument that political factors do not influence the allocation of DAU funds. It is possible for a party to concentrate its political capital in the regions in order to strengthen and support the legislature over an extended period of time. This research applies to political economy, in which political authority is sometimes required for a group to access economic resources and conduct economic activities in a region. (Nurwanda et al., 2021). Although the economic costs and benefits of political competition are frequently discussed due to their complexity, this is not always the case (Bardhan, 2014). In recent decades, political power can occasionally alter the economic order and determine economic activity policies (Potabuga, 2015).

Papua and West Papua Provinces are currently the center of the government's attention, with central government funds and autonomy funds being prioritized for their development. Therefore, it can be stated that the social, political, economic, and cultural stability of these two provinces must be maintained in order to support the growth and empowerment of the local communities. (Kristiyanto et al., 2022) The issue of linking political stability with economic development is a classic issue that is the focus of attention and the concern of every region today.

The stability of social, political, cultural, and economic conditions in the two provinces are directly related to the majority of political parties in each district and city. In Papua and West Papua Provinces, the function of political parties in sustaining democracy varies from city/district to city/district. This research will examine the influence of political concentration on the distribution of DAU and DAK. In addition to the perceived inequality in some regions of Indonesia, regional leaders believe that the allocation of DAU and DAK funds is inequitable in some regions. At this time, it is conceivable for political power to influence the allocation of transfer funds from the central government to local governments. (Tobing & Brodjonegoro, 2013). This is due to the fact that there is a struggle of interest between groups of actors in the political elite as a result of conflicts of interest between groups in determining policies, particularly in the budget sector (Wance, 2015). (Wance, 2015). Political actors in the legislature determine the pro-poverty, pro-employment, or pro-growth orientation of economic policy. (Tawiah & Karungi, 2020). The determination of these policies affects all economic actors and can influence the behavior of business actors, including entrepreneurs and the private sector. (Laiprakobsup, 2019; Magwedere & Marozva, 2023). If the research data
indicates a relationship between political concentration and the allocation of DAU and DAK in Papua Province and West Papua Province, then the impact of political concentration and the allocation of DAU and DAK on PAD in Papua Province and West Papua Province must also be empirically examined. Some regions have strong administrations supported by political parties, allowing for more optimal economic growth-promoting policies. (Sugiyanto et al., 2013). Political competition should be given significant consideration because it enables regional leaders to administer government more effectively (Oktaviani & Arza, 2013). (Oktaviani & Arza, 2020). The research's problem formulations include determining the degree to which the concentration of political parties in a city/district in Papua Province and West Papua Province influences the allocation of DAU and DAK, and the extent to which the growth of DAU and DAK contributed to the growth of PAD in cities/districts in Papua Province and West Papua Province.

Political competition within a district/city is measured by the HHI, the Herfindahl Hirschman Index. This index can represent economic, social, and political competition within a region. (Natálie et al., 2022). This study measures political concentration by calculating the proportion of each party in the DPRD using the HHI. (Rezki, 2018). This study assumes that the allocation of DAU and DAK for the period 2017-2021 does not completely utilize the applicable mechanism, or that certain regions may receive additional allocations. This study also employs the ceteris paribus principle, which implies all variables outside the scope of the study are constant. Examining the relationship between political concentration and the allocation of funds in each district / city in Papua Province and West Papua Province, which has an effect on local revenue in that location, is of interest in the discussion of the researcher's article. This research aims to investigate and analyze the relationship between political competition in the cities/districts of Papua Province and West Papua Province and the budget allocation, particularly DAU and DAK, and to examine the empirically demonstrated relationship between political competition and PAD.

**METHOD**

This research technique applies Mixed method with a sequential / gradual mixed method approach that prioritizes quantitative analysis and then focuses on qualitative analysis of the quantitative findings. Sequential explanatory strategy is employed by the mixed method. This research uses descriptive quantitative methods and inference statistics with secondary data for quantitative methods.
The obtained secondary data will be empirically analyzed using multiple regression analysis. After that, in-depth interviews with designated sources will be conducted.

General Allocation, Special Allocation, HHI (Political Competition), GRDP Per Capita, Regional Primary Income, Land Area, Population, Human Development Index, and Construction Cost Index are the variables utilized in this study. This research uses political economy theory, which emphasizes that political variables tend to have a significant impact on the economic dynamics of a country. This research makes use of secondary data, which is data that already exists from a variety of sources and is ready to be processed in order to test the hypothesis that has been determined using multiple methods. This research utilizes secondary data from various sources, including the Ministry of Finance and the BPS, which are analyzed and checked for accuracy. In addition to literature reviews and interviews that provide additional information about the various concepts that serve as the basis or guidelines for this research process. This study uses panel data, a combination of time series data and cross sectional data, as its quantitative data source. In this investigation, panel data are obtained from repeated cross-sectional observations of the same unit object at relatively different times. The period covered by these research data is 2017 to 2021. This study provides an overview of the relationship between the variables of political concentration and PAD across multiple time periods. After obtaining the anticipated data in accordance with the variables required for the study, the data are analyzed using inferential statistical methods.

RESULTS AND DISCUSSION

Balance Fund Allocation Mechanism

In order to realize a relative, democratic, fair, and transparent financial balance system based on the division of power from the center to the regions, the Financial Balance Law No. 33 of 2004 on Financial Balance Between the Central Government and Regional Governments was enacted as a refinement of Law No. 25 of 1999 on Financial Balance Between the Central Government and Regional Governments. The improvement of this law includes the establishment of the fundamental principles of the state and local government financial balance system in accordance with the principles of decentralization, decentralization, and shared administrative responsibilities. In addition, the type of geothermal mining revenue sharing fund that was formerly a special allocation fund category was converted into a revenue sharing fund, and the allocation principles of the General
Allocation Fund and Special Allocation Fund were revised.

The Balancing Fund is a pool of funds allocated from APBN revenues that are allocated to regions to finance regional requirements within the context of decentralization implementation. The balance fund consists of three parts: the Revenue Sharing Fund, the General Allocation Fund, and the Special Allocation Fund. Revenue-sharing funds are funds derived from APBN revenues that are distributed proportionally to the regions to finance decentralization-related regional requirements. In addition, the General Allocation Fund (DAU) is a fund derived from APBN revenues that are distributed equitably to finance the financial capabilities of regions in order to finance regional requirements in the context of implementing decentralization. In the meantime, the Special Allocation Fund (DAK) is a fund derived from APBN revenues allocated to particular regions and is intended to help finance special activities that are consistent with regional and national priorities.

The General Allocation Fund (DAU) is set at a minimum of 26% (twenty-six percent) of net national income as determined by the APBN and is distributed based on fiscal gaps and baselines. The previously mentioned budget shortfall is the demand for state funds in excess of regional budget capacities. The fundamental share is calculated based on the total compensation of regional officials. The regional financial requirements are the regional financial needs required for the execution of the primary functions of public services. Each subsequent funding requirement is determined by population, area, construction costs, regional per capita gross domestic product, and the human development index. Due to the capabilities of regional fiscal policy, regional funding sources consist of regional own-source revenues (PAD) and revenue-sharing funds.

Until now, the calculation of public financial requirements and fiscal policy capacity has been the responsibility of government statistical agencies and/or state authorities with the authority to publish responsible information. The DAU share between provinces and districts/municipalities is calculated by comparing the weight of government affairs that come under the jurisdiction of provinces and districts/municipalities. The ratio of provincial DAU to district/municipal DAU is 10% (ten) to 90% (ninety) when calculating the unquantifiable portion.
Table 1. List of Political Concentration in Districts/Municipalities of Papua Province and West Papua Province

<table>
<thead>
<tr>
<th>Description</th>
<th>Province</th>
<th>List of District/Cities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unconcentrated (HHI &lt; 0.15)</td>
<td>Papua</td>
<td>Asmat district, Biak Numfor district, Boven Digoel district, Deiyai district, Dogiyai district, Intan Jaya district, Jayapura district, Jayawijaya district, Keerom district, Yapen Islands district, Lanny Jaya district, Mamberamo Raya district, Mappi district, Merauke district, Paniai district, Puncak district, Puncak Jaya district, Sarmi district, Supper district. Mappi, Merauke, Mimika, Nabire, Nduga, Paniai, Puncak, Puncak Jaya, Sarmi, Supiori, Tolikara, Waropen, Yahukimo, Yalimo, and Jayapura City.</td>
</tr>
<tr>
<td></td>
<td>West Papua</td>
<td>Fakfak district, Manokwari district, South Manokwari district, Arfak Mountains district, South Sorong district, Tambrauw district, Teluk Wondama district, and Sorong city.</td>
</tr>
<tr>
<td>Moderate Concentration (0.15≤HHI&lt;0.25)</td>
<td>Papua</td>
<td>Intan Jaya district, Central Mamberamo district, Nduga district, Paniai district, Bintang Mountains district, Puncak Jaya district, Tolikara district, and Yalimo district.</td>
</tr>
<tr>
<td></td>
<td>West Papua</td>
<td>Kaimana district, South Manokwari district, Maybrat district, Raja Ampat district, Sorong district, South Sorong district, Tambrauw district, and Teluk Bintuni district.</td>
</tr>
<tr>
<td>High Concentration (HHI ≥ 0.25)</td>
<td>Papua</td>
<td>Kab. Asmat and Kab. Mamberamo Tengah</td>
</tr>
<tr>
<td></td>
<td>West Papua</td>
<td>Raja Ampat District</td>
</tr>
</tbody>
</table>

(Source: Processes)

**Political Competition Analysis**

Table 1 contains an analysis of the variables of political competition in each district and city of Papua Province and West Papua Province. The distribution of political competition across all districts and communities in the two provinces varies between a level of no concentration and a level of moderate concentration. Based on the results of the analysis of the HHI index presented in Table 1 above, it has been determined that a higher concentration indicates comparatively less political competition. According to the category, three (three) districts in the provinces of Papua and West Papua exhibit relatively high political competition. Included in these districts are the Asmat, Central Mamberamo, and Raja Ampat regencies.

Table 1 explains that the distribution of political concentration is dispersed across multiple districts and cities, indicating that the results acquired after calculating the index of HHI for each party membership in DPRDs and putting them into categories are as shown in Table 1. Less competition exists between party cadres in a DPRD with increasing political concentration. This induces coordination, which is likely to produce outcomes that are detrimental to the community.
Figure 1 explains the relationship between the HHI index and DAK per capita. The greater the size of the circle in the graph, the greater the HDI in the district/city compared to other regions. In the meantime, the color within the circle is more yellow if the HDI in a district/city is higher, and it is bluer if it is lower.

In Figure 1, the relationship between HHI and DAK per capita is shown to be positive. Therefore, the higher the HHI, the more likely it is that the per capita value of DAK will increase. The high HHI depicted in the preceding graph allows for low DAK revenue per capita. The general linear model depicted in Figure 1 reveals that the value of DAK per capita in a district/city area is linearly correlated with the HHI, which indicates political competition. In particular, when allocating DAK, the government prioritizes funding regions with low economic and social indices. Consequently, localities with low economic and social index values will have an effect on the allocation of substantial funds. According to the data, the district that obtains the most DAK per capita is Tambrauw.
Figure 2 demonstrates the correlation between the HHI index and the DAU per capita. A high HHI indicates that minimal political competition will likely result in a high DAU per capita. The greater the size of the circle in the graph, the higher the HHI in the district/city relative to other regions. The color of the circle indicates that the HDI in a district or city is higher if it is yellow and lower if it is blue.

In general, many political strategies according to existing studies show that high political party concentration can determine policy at the executive level. According to numerous sources, the large concentration of political parties can influence budget votes and regional budget allocations. Maintaining votes in a region in order to enhance the loyalty of a particular party is one of the many objectives of determining allocations to specific regions. In the meantime, another strategy is to increase the composition of community loyalty in areas where certain parties are relatively lacking.

A positive increase in the value of DAU and DAK in a region with low political competition will directly and indirectly increase the quantity of PAD in that region. This is because DAU and DAK in a region influence the PAD components.
Table 2. Hypothesis for the PAD per Capita Model
Papua Province and West Papua Province
(Source: Processed)

<table>
<thead>
<tr>
<th>Variables</th>
<th>Model 1</th>
<th>Model 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>HHI</td>
<td>0.991</td>
<td>0.212</td>
</tr>
<tr>
<td></td>
<td>(1.624)</td>
<td>(0.51)</td>
</tr>
<tr>
<td>IPM</td>
<td>0.006</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(1.36)</td>
<td></td>
</tr>
<tr>
<td>IKK</td>
<td>-0.0002</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(-0.67)</td>
<td></td>
</tr>
<tr>
<td>Area</td>
<td>0.0000001</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.4)</td>
<td></td>
</tr>
<tr>
<td>PDRB/ Capita</td>
<td>0.002***</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(4.66)</td>
<td></td>
</tr>
<tr>
<td>Total Population</td>
<td>0.0000004</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.67)</td>
<td></td>
</tr>
<tr>
<td>DAU/ Capita</td>
<td>0.0025</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.36)</td>
<td></td>
</tr>
<tr>
<td>DAK/ Capita</td>
<td>0.0157</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.89)</td>
<td></td>
</tr>
<tr>
<td>Ddes/ Capita</td>
<td>0.0007</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.04)</td>
<td></td>
</tr>
<tr>
<td>DBH/ Capita</td>
<td>-0.029*</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(-1.69)</td>
<td></td>
</tr>
<tr>
<td>Cons</td>
<td>0.278***</td>
<td>-0.184</td>
</tr>
<tr>
<td></td>
<td>2.848</td>
<td>(-0.51)</td>
</tr>
<tr>
<td>R-Squared (Overall)</td>
<td>0.012</td>
<td>0.576</td>
</tr>
<tr>
<td>Chi Square</td>
<td>2.639</td>
<td>82.77</td>
</tr>
<tr>
<td>Prob (Chi Square)</td>
<td>0.104</td>
<td>0.000</td>
</tr>
<tr>
<td>Observasi Total</td>
<td>210</td>
<td>164</td>
</tr>
</tbody>
</table>

Notes: * signifikan at $\alpha = 10\%$, ** signifikan at $\alpha = 5\%$, and *** signifikan at $\alpha = 1\%$. According to the analysis presented in Table 2, political competition, as measured by HHI, has no significant and indirect effect on PAD in a number of districts/municipalities in the provincial areas Papua. Although descriptive analysis indicates that HHI has a positive correlation with DAU per capita and DAK per capita, this correlation is not statistically significant. In Model 1, it is explained that the model contains only the independent variable HHI and the dependent variable PAD per capita. The findings indicate that HHI has no significant effect on PAD per capita within a district or city in Papua Province and West Papua Province.

Model 2 explains the relationship between HHI as an independent variable and other variables as its supporters in relation to its influence on the dependent variable, PAD per capita. In conclusion, HHI has no appreciable effect on PAD
incidence per capita.

GRDP per capita is the variable that has an effect on PAD per capita. This is reasonable given that a larger economy will result in elevated PAD across all regions. Additionally, the component of balancing funds that influences PAD per capita is revenue sharing funds (DBH) per capita, which correlates negatively with PAD per capita. The provided data indicates that, on average, districts/municipalities in the provinces of Papua Province and West Papua Province with high revenue-sharing funds have a comparatively small economy. This is a result of high produce yields in remote regions with a relatively weak economy. Consequently, the analysis demonstrates that high revenue sharing is a result of high crop revenues, but that it does not necessarily substantially improve the local economy, which will have an effect on PAD in the region. The negative correlation indicates that the revenue sharing funds (DBH) obtained by a number of regencies/cities decrease as PAD increases. According to the findings of interviews conducted in BAKD Papua Province, the current mechanism for calculating DAU (General Allocation Fund) consists of several stages.

1. The first stage, which is academic and administrative, is the preparation of policies on the implementation of the DAU formula, coordinated by the Ministry of Finance with other agencies regarding the availability of fundamental data for DAU calculation.
2. The technical stage, where a simulation of the DAU calculation is made, is consulted by the central government to the DPR on the basis of calculations in accordance with the DAU formulation.
3. In the final stage, the government and the Regional Expenditure Working Committee of the Budget Committee of the DPR discuss the calculation and allocation of the DAU for consultation and approval of the DAU calculation results. During this final phase, it is possible to negotiate alterations to the DAU formulation based on the conditions and requirements of the region and the availability of government funds.

Depending on the mechanism governing the amount of DAU and DAK allocations, it is conceivable that an increase will occur if an additional DAU occurs in 2019. Another possibility exists if there are near-term strategic government initiatives to be implemented in multiple regions that are tailored to the availability of central funds. Currently, the quantity of DAU allocated to each city or region exceeds the amount of DAK received. In order for the regions to continue focusing on DAU revenue, as it is still the primary revenue compared to DAK. The increase in
DAU and DAK in a region should have direct and indirect effects on the prevalence of PAD in that region.

**CONCLUSION**

This research found that some districts have relatively small populations relative to others, and that some regions have high HDIs relative to other regions, but receive relatively large allocations of general funds or special allocation funds. The Mimika district, Merauke district, Asmat district, and Boven Digoel district represent this. This demonstrates that variables other than IKK (Construction Cost Index), HDI (Human Development Index), Population (People), Area (km2), and GRDP (in Billion Rp) can determine the magnitude of the allocation for DAK or DAU.

The results of the descriptive analysis conducted to examine the relationship between political concentration and funding allocations, both DAU and DAK, indicate that there is a positive correlation between high political concentration and the absence of political competition within the DPRD in all districts and cities in the Provinces of Papua and West Papua to DAU per capita and DAK per capita.

The results of further empirical analysis conducted between political competition and the amount of PAD within districts/municipalities show insignificant results despite having a positive correlation in 2021. In this case, it is determined that there is no strong and significant relationship between political competition and PAD in a province/city in Papua and West Papua. This study makes two assumptions regarding the effect of political competition on a number of DAU and DAK allocations, as well as direct and indirect effects on PAD. The first assumption is that, from 2017 to 2021, the government did not entirely implement the determined calculations for determining DAU and DAK. Another assumption is ceteris paribus, which states that variables outside of the research variables are considered constant and do not influence the research variables in the model. Currently, the calculation of the DAU (General Allocation Fund) involves multiple stages. In the initial stage, which is academic and administrative, the Ministry of Finance coordinates with other agencies related to the availability of fundamental data for DAU calculation policy formulation on the implementation of the DAU formula. After this is accomplished, the technical stage is carried out, during which a simulation of the DAU calculation is carried out, which is then consulted by the central government to the DPR based on calculations in accordance with the DAU formulation. In the concluding stage, the government and the Regional Expenditure Working
Committee (Panja) of the Budget Committee of the DPR discuss the calculation and allocation of DAU for consultation and approval of the DAU calculation results. In this final phase, it is feasible to negotiate changes to the DAU formulation that are specific to the conditions and requirements of the region.

REFERENCES


