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The Effect of Regional Retributions to the North Sumatera Economic Growth

Ishak Juharsa Harahap
Department of Regional and Rural Development Planning,
University of Sumatra Utara,
North Sumatra, Indonesia

Prof. Erlina. SE.M.Si.Ph.D.Ak.CA
Department of Accounting, Faculty of Economics and Business
University of Sumatra Utara,
North Sumatra, Indonesia

Dr. Rujiman.MA
Department of Economic Development,
North Sumatra University,
North Sumatra, Indonesia

Abstract **— The trend of regional retributions fluctuations in North Sumatra shows an increasing tendency during the period of 2011-2015, while economic growth shows a decreasing tendency during the period of 2011-2015. High economic growth is one of the prerequisites of development that must be met as a foundation of development in the fields of economy, social politics and culture. This study aims to determine the influence of regional retributions on the economic growth of North Sumatra. The results obtained that simultaneously retribution significantly influence the economic growth of North Sumatra Province. The results of this study indicate that economic growth is influenced by regional retributions. Local retributions have a negative but not significant effect on the economic growth of North Sumatra Province.**

Keywords — Regional Retribution, Economic Growth.

I. INTRODUCTION

In general, economic growth is defined as an increase in the ability of an economy to produce goods and services. Economic growth is one of the most important indicators in analyzing the economic development occurring in a country. Economic growth shows the extent to which economic activity will generate additional income to the community at a certain period. Because basically economic activity is a process of using production factors to produce output, then this process will in turn produce a flow of remuneration to the factor of production owned by society. With the economic growth it is expected that the income of the community as the owner of factors of production will also increase.

Economic growth is the process of increasing the production capacity of an economy in the form of national income increasing. A country's economic growth increases when real GNP rises. Economic growth is an indication of the success of economic development.

The legal basis for the collection of Regional Tax and Regional Retributions is Law no. 28 of 2009 on Regional Taxes and Retributions. Local Taxes, hereinafter referred to as taxes, are the obligatory contributions to the Regional or a coercive body under the Law indebted by an individual, in return indirectly and used for the purposes of the region to the greatest possible prosperity of the people.

TABLE 1 LIST OF DEVELOPMENT OF PROVINCIAL TAX, REGIONAL RETRIBUTION AND ECONOMIC GROWTH OF NORTH SUMATRA PROVINCE YEAR 2011-2015

Year	Regional Retribution (Million rupiahs)	Economic Growth (%)
2011	31.297.59	6.63
2012	33.494.63	6.22
2013	33.385.58	6.01
2014	25.960.65	5.23
2015	36.162.92	5.1

Source: Central Bureau of Statistics North Sumatera Province, 2016

Regional retributions in 2011 amounted to 31,297.59 million rupiahs increased to 33,494.63 million rupiahs in 2012, but in the year 2013-2014 decreased to 25,960.65 million rupiahs in 2014, and in 2015 again increased to 36,162.92 million rupiahs. Economic growth of North Sumatra Province in 2011 amounted to 6.63% and in 2015 decreased to 5.10%. These results indicate the economic growth of North Sumatra Province continues to decline during the period of 2011-2015.

Levy is a contribution to the government that can be forced and reverse services can be directly appointed. Coercion here is economical because anyone who does not feel the government's reverse services will not be subject to the dues [1]. Based on the description, it can be seen that the levy characteristics according to Haritz [2] are as follows:

a. Implementation is economic;
b. There is a direct reward to the payer;
c. The fee meets the formal and material requirements but there is an alternative way of payment;
d. Retribution is a levy which is generally a non-salient source of state finance;
e. In some cases local retributions are used for a particular purpose, but in many cases it is no more than a cost recovery that has been booked by the local government to meet the demands of the community.

Economic growth is one of the most important indicators in analyzing economic development in a country. According to Sirojuzilam and Mahalli [3] economic growth is a picture of the impact of government policies that are implemented especially in the economic field.

According to Jhingan [4] in economic development theory, there are six characteristics of economic growth, as follows:

1. There is a high rate of increase in per capita production to keep pace with the rapid population growth.
2. The increasing rate of production per capita is mainly due to technological improvements and the quality of production inputs used.
3. The existence of changes in the economic structure of the agricultural sector into industrial and service sectors.
4. Increased population moves from rural to urban areas (urbanization).
5. Economic growth is due to the expansion of developed countries and the strength of international relations.
6. Increased flow of goods and capital in international trade.

Mankiw [5] put forward in the basic concept of macroeconomics; the indicator used in measuring economic growth is the gross domestic product (GDP). Gross Domestic Product (GDP) is the market value of all final goods and services produced in the economy over a period of time.

II. MATERIALS AND METHOD

This type of research data is quantitative or qualitative data in the form of numbers (scoring). The type of research according to the level of explanation is quantitative / associative / correlational, data analysis using inferential statistics, with the aim of knowing the degree of relationship and the form of influence between independent variables with the dependent variable [6]. The scope of the research is the North Sumatera Provincial Government which has data of economic growth and regional retributions respectively from 2001 to 2015.

Hypothesis:

Local retributions have a significant effect on the economic growth of North Sumatra Province.

TABLE 2 DEFINISI OPERASIONAL VARIABEL

Variable Types	Variable	Operational Definition	Performance Indicator	Measurement Scale
Dependen	Pertumbuahan Ekonomi (PE)	Gross Domestic Product Growth per year at constant prices	Constant Price GDP of 2001-2015	Ratio
Independen	Retribusi Daerah (RD)	Retribusi daerah merupakan iuran kepada pemerintah yang dapat dipaksakan dan jasa balik secara langsung dapat ditunjuk. Paksaan di sini bersifat ekonomis karena siapa saja yang tidak merasakan	Regional Revenue and Expenditure Budget year 2001-2015	Ratio

The data is obtained from the report of Gross Regional Domestic Product (PDRB) and Regional Revenue and Expenditure Budget of North Sumatera Provincial government from Central Statistics Agency Library of North Sumatera which is located at Asrama Street no. 179 Medan.

III. RESULT

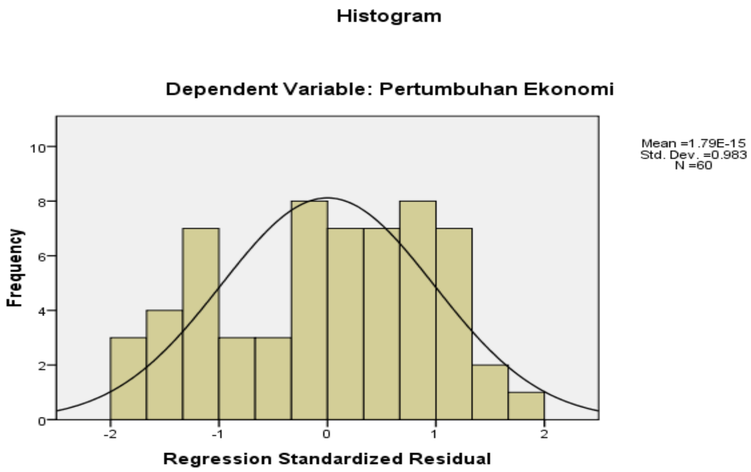

FIGURE 1. NORMAL P-PLOT OF REGRESSION STANDARDIZED RESIDUAL

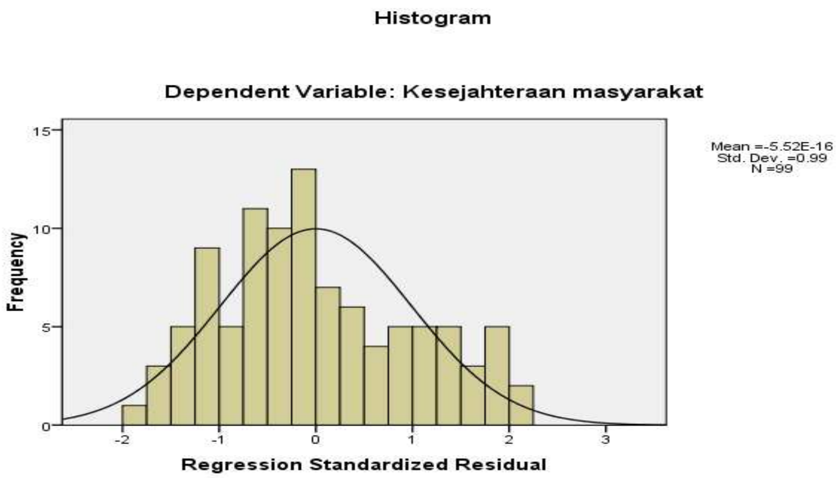

FIGURE 2. HISTOGRAM

The normal graph plot view in Figure 1 can be concluded that the data spreads around the diagonal line and follows the direction of the diagonal line. This shows normal distributed residual data. Similarly, the histogram graphic results in Figure 2. which shows that the residual data is normally distributed as seen from almost perfect (symmetrical) bell-shaped images.

TABLE 3 KOLMOGOROV – SMIRNOV TEST

		Unstandardized Residual
	N	60
Normal Parameters[a,,b]	Mean	.0000000
	Std. Deviation	.13934501
Most Extreme Differences	Absolute	.096
	Positive	.096
	Negative	-.096
	Kolmogorov-Smirnov Z	.745
	Asymp. Sig. (2-tailed)	.636

a. Test distribution is Normal.

b. Calculated from data.

The result of statistic test in Table 3. shows that Kolmogorov-Smirnov Z value is 0.745 and its significance is 0.636 and its value is above α = 0,05 (Asymp.Sig = 0,636> 0,05) so that Ha hypothesis is accepted which means normal distributed residual data.

TABLE 4 MULTICOLLINEARITY TEST RESULTS

Model		Collinearity Statistics	
		Tolerance	VIF
1	(Constant)		
	Retribusi Daerah	.452	2.213

a Dependent Variable: Economic growth

Source: Primary data processed, 2016

The calculation result using SPSS program we can know that VIF and tolerance value is retribution variable has VIF value equal to 2,213 and tolerance equal to 0,452. From the existing provision that if the value of VIF <10 and tolerance> 0.10 then there is no symptom of multicollinearity and values obtained from the calculation is in accordance with the determination of VIF value and tolerance, and from the above analysis results can be seen the tolerance value of all variables independent (regional retribution) more than 0.10 and VIF value less than 10 it can be concluded that the independent variable does not occur multicollinearity.

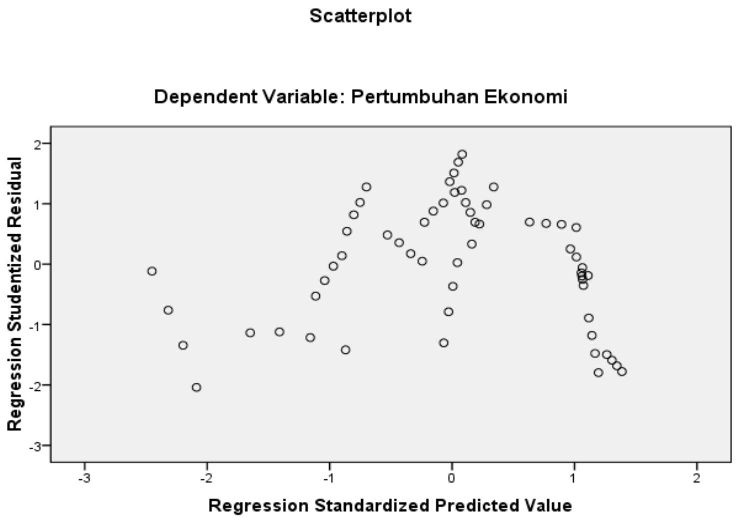

FIGURE 3 GRAPH SCATTERPLOTS

The scatterplots graph in Figure 3 shows that the points spread randomly and spread both above and below the number 0 on the Y axis and do not form a regular pattern, it can be concluded that there is no heteroscedasticity.

TABLE 5 GLEJSER TEST RESULTS

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	.190	.257		.740	.463
	Pajak Provinsi	.010	.026	.079	.399	.692
	Retribusi Daerah	-.027	.033	-.165	-.832	.410

a. Dependent Variable: abs_res1

Source: Primary Data Processed, 2016

The results show that the parameter coefficient for independent variables is not significant ie provincial tax = 0.692> α = 0.05 and regional levy = 0.410> α = 0.05. So it can be concluded that there is no regression model heteroscedasticity.

TABLE 6 COEFFICIENT OF DETERMINATION

Model Summary (b)

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.627[a]	.394	.372	.14177

a. Predictors: (Constant), Retribusi Daerah, Pajak Daerah

b. Dependent Variable: Pertumbuhan Ekonomi

Source: Primary Data Processed, 2016

The calculation result of R Square value is 0,394. This means that 39.4 percent of the economic growth of North Sumatera Province can be explained by the two independent variables above, while the remaining 60.6 percent is explained by other variables not included in this study.

TABLE 7 SIMULTANEOUS TEST RESULTS

ANOVA[b]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	.744	2	.372	18.503	.000[a]
	Residual	1.146	57	.020		
	Total	1.889	59			

a. Predictors: (Constant), Retribusi Daerah, Pajak Provinsi

b. Dependent Variable: Pertumbuhan Ekonomi

The simultaneous statistical test is shown by comparing the F value with F table. The value of F table with a degree of confidence of 95 percent is 3.20. In Table 7 above shows that F arithmetic 18,503 is greater than F table. The probability level is 0,000, thus it can be concluded P = 0,000 <α = 0.05, which means Ha is accepted. This means that the two independent variables are significant in explaining the economic growth of North Sumatra Province.

TABLE 8 T-STATISTIC TEST RESULTS

Coefficients[a]

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	-1.636	.354		-4.623	.000
	Retribusi Daerah	-.046	.055	-.127	-.826	.412

a. Dependent Variable: Pertumbuhan Ekonomi

In Table 8, the statistical test t is obtained, as follows: Variable regional retributions: t-value = -0,826; t-table 2.010, with a probability level of 0.412. Thus it can be concluded P = 0.412> α = 0.05, which reject the hypothesis Ha and accept Ho hypothesis that states retribution does not significantly affect the economic growth of North Sumatra Province.

Based on Table 8. and the above description can be compiled multiple regression equation as follows:

PE = -1,636 + 0,181 PP - 0,046 RD

The equation model means:

1. Constant value of -1.636 means that if the independent variable (Provincial Tax and Regional Retributions) is considered zero, the economic growth of North Sumatra Province is -1.636 (%)
2. Local retribution variables negatively affect the economic growth of North Sumatra Province with a coefficient of -0.046, meaning that every additional 1 million rupiah, the variable retribution will reduce economic growth by 0.046%.

IV. DISCUSSION

The result of this research is local retribution have negative but not significant effect to economic growth of North Sumatera Province. Regional retributions of North Sumatra Province marked negative means having unidirectional relationship which means every increase of 1 million rupiah local retributions of North Sumatra Province will reduce economic growth; it means that the influence of local retributions during the period of observation year 2001-2015 has a negative but insignificant effect on economic growth.

Bahl [7] argues that fiscal decentralization should be followed by the ability of local governments to obtain revenue from within the region, because with the ability to generate revenue from within this area, the local government will have a large source of development funds. So the revenue of this area has a positive impact if the revenue from retribution is used by the government to build various infrastructures and finance various public expenditure so as to increase economic growth, and vice versa.

V. Conclusions and Suggestions

A. *Conclusion*

Based on the results of hypothesis analysis and test conducted, it can be taken some conclusions that: Local retributions have a negative but not significant effect on the economic growth of North Sumatra Province.

B. *Suggestion*

Based on the conclusions and limitations of the research that has been presented before, some suggestions from this research are as follows:

1. The Government of North Sumatra Province should be able to make policies that can increase local retribution by improving the audit and supervision of retribution.
2. The Government of North Sumatra Province is expected to use regional retribution for the development of local infrastructure.

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