

## The Effect Of Fiscal Decentralization On The Open Unemployment Rate In The Province Of DIY

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<i>Information Articles</i>	<i>Abstract</i>
<p><i>Article history:</i> Received February 11, 2022 Revised June 9, 2022 Accepted July 20, 2023 Available online July 20, 2023</p>	<p><i>This study aims to find empirical evidence on the effect of general allocation funds, special allocation funds, production sharing funds, and spending on goods and services on the open unemployment rate. The data used in this study is panel data, a combination of time series data (2012-2020), and cross-sectional data (5 regencies/cities in the Special Province of Yogyakarta). The results show that the Special Allocation Fund and Revenue Sharing Fund significantly positively affected the Open Unemployment Rate in the Special Region of Yogyakarta Province from 2012-2020.</i></p>
<p><i>Keywords:</i> DAU; DAK; Fiscal Decentralization; TPT</p>	
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### INTRODUCTION

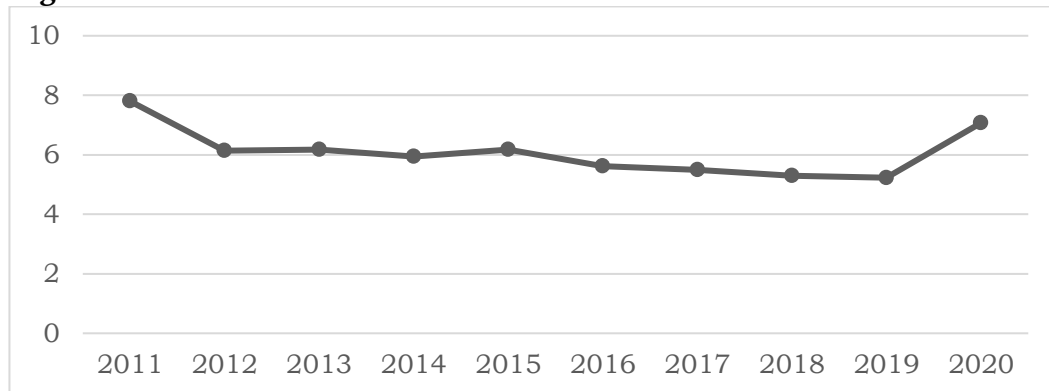
Regional economic development is a process that involves the government and all components of society in managing and utilizing existing resources. According to [Mudrajad \(2004\)](#), Regional economic development is a process in which local governments and all community members work on various existing resources and form a partnership pattern to create new jobs and stimulate the development of economic activities in the area. Development can occur in a country or region marked by several economic activities, for example, increasing productivity and increasing the per capita income of the population to improve the level of welfare.

Improving welfare also has problems that hinder the development of a country or region; the main concerns are poverty, unemployment, and inequality. According to [Mudrajad \(2004\)](#), three main issues must be considered in measuring the development of a country or region: 1) what happens to the poverty level, 2) what happens to unemployment, and 3) what happens to inequality in various fields. These three main problems do not stand alone but are mutually sustainable. The assumption is that two other issues are affected if unemployment experiences a shock.

Unemployment arises due to the low ability of the community to access employment opportunities and the limited opportunities for the district to obtain employment opportunities. Thus, unemployment is one of the leading employment problems faced by developing countries, such as Indonesia. [Yusriadi \(2017\)](#) explained that unemployment is a very complex problem because it affects and is influenced by many factors that interact in a pattern that is only sometimes easy to understand. Overcoming this situation requires the government to look for and think about various actions to overcome these problems that can increase people's income and overcome the

problem of unemployment. One of the instruments to boost economic growth and reduce poverty

**Figure 1. Number of Indonesian TPT**



Source: Secondary data processed in 2021

Figure 1.1 shows that the total Open Unemployment Rate has fluctuated over the last ten years. In 2011, the number of TPTs was very high, namely 7.48 percent. Then, in 2018, the number of TPT decreased by 5.3 percent. However, in 2020, the unemployment rate again increased by 7.07 percent. The high number of TPT is influenced by several factors, including rising regional development that will create new jobs. Regional development has been regulated so that development will proceed along the corridors determined by the government through laws.

According to Law No. 32 of 2004 concerning Regional Government, it is stated that for the exercise of Regional Government authority, the Central Government will transfer Balancing Funds consisting of General Allocation Funds (DAU), Special Allocation Funds (DAK), other legal income, and Revenue Sharing Funds comprised of taxes and natural resources ([Regional Law, 2004](#)).

Efforts to optimize regional spending and public sector reform accompanied by democratization demands have made transparency and accountability important in government management, including state and provincial finances. Public accountability is providing information and disclosing all activities and financial work of the Regional Government to interested parties ([Mardiasmo, 2002](#)). Economic observers, political observers, investors, and the people are starting to pay attention to every policy in financial management.

Several studies discuss fiscal decentralization. Study [Talangamin et al., \(2018\)](#) and [Murad \(2019\)](#) argue that fiscal decentralization (DAU and DAK) has a positive and significant impact on economic growth and unemployment. If economic growth increases, the unemployment rate will decrease. [Paramitha & Son \(2016\)](#) found that general allocation and special allocation funds influence the welfare of the people in the province of Bali, meaning that the government has allocated funds according to what has been determined. But the discovery of [Ali & Ningsih \(2021\)](#) that PAD, DAU, and DAK do not affect unemployment. In line with research by [Zuwesty \(2015\)](#), the general allocation fund has no effect on economic growth in the province

of Central Java. There are similarities in the variables in this study, namely DAU and DAK. Still, there are two variables: Revenue Sharing Funds (DBH) and Expenditure on Goods and Services (BBJ). Besides that [Meillen et al. \(2014\)](#) found that general allocation funds have no influence on economic growth. According to the researchers, not only DAU and DAK have an effect on unemployment, but DBH and BBJ also have a positive influence on unemployment. Therefore, in this study, the variables DAU, DAK, DBH and BBJ are taken where these variables can affect TPT.

Based on data from the Central Bureau of Statistics, the unemployment rate in Indonesia is constantly fluctuating; This is due to the less effective allocation of funds from the central government. In addition, local governments also play a role in reducing the unemployment rate. Regions that have not been stable in controlling unemployment rates are one of the provinces of the Special Region of Yogyakarta (DIY). The province is categorized as an area with a high unemployment rate, so it is necessary to examine whether the allocation of funds is appropriate. This study aims to analyze the factors that can reduce the unemployment rate in DIY through fiscal decentralization, revenue sharing, and spending on goods and services.

**RESEARCH METHODS**

The variables used in this study are one dependent variable, namely the Open Unemployment Rate (TPT), four independent variables, namely general allocation funds (DAU), special allocation funds (DAK), profit-sharing funds (DBH), and spending on goods and services (BBJ).

The population in this study were districts/cities in DIY during the 2012-2020 period. The sampling technique was purposive to obtain a representative sample according to the specified criteria ([Sugiyono, 2012](#)). The criteria used to select the sample are as follows:

- a) Regencies/cities in the province of DIY, namely Bantul, Sleman, Gunung Kidul, Kulon Progo, and Yogyakarta.
- b) Have complete DAU, DAK, DBH, BBJ, and TPT data from 2012-2020.

The type of data used in this research is secondary data which is quantitative. Secondary data is research data obtained indirectly through intermediary media (obtained and recorded by other parties). Secondary data in this study comes from the Central Statistics Agency and the Ministry of Finance, published on the official website.

This study uses panel data econometric models to examine the relationship between a dependent variable, namely TPT, and several independent variables, namely DAU, DAK, DBH, and BBJ. Panel data is a technique in econometrics that combines cross-sectional data over time. There are several other names for panel data, such as pooled, micro panel, and longitudinal data; some even call it cohort analysis. ([Gujarati and Porter, 2015](#)). The following equation can model this:

$$Y_{it} = \beta_0 + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \beta_4 X_{4it} + \epsilon_{it} \dots \dots \dots (1)$$

Information:  $Y_{it}$ ; Banking dependent variable;  $\beta_0$  : Constant;  $\beta_1-5$ : Regression coefficient of independent variable (TPT);  $X_1$ : General Allocation

Fund (DAU); X2 : Special Allocation Fund (DAK); X3: Profit Sharing Fund (DBH); X4: Shopping for Goods and Services (BBJ);  $\epsilon$ it : Error

Hypothesis testing or statistical tests are carried out to measure the accuracy of the regression model with its actual value. Statistical tests in this study were carried out by testing the regression coefficients individually (t-test), simultaneously testing the regression coefficients (F test), and testing the coefficient of determination (R<sup>2</sup>).

## RESULTS AND ANALYSIS

### Panel Data Regression Model Selection Test Results

A test is needed to determine the appropriate regression model for research in carrying out panel data regression. The regression equation model contained in the panel data consists of a common effect model, a fixed effect model, and a random effect model.

The Chow test was conducted to determine the best model between the common and fixed effect models. Choosing a model using the Chow test is done by looking at the Chi-Square probability value. If the Chi-Square probability value  $< \alpha(0.05)$ , the appropriate model used in this study is the fixed effect model. Conversely, if the Chi-Square probability value  $> \alpha(0.05)$ , then the suitable model is used, namely the common effect model.

**Table 1. Chow Test Results**

Effect Test	Statistics	df	Prob.
Cross-section F	17.890692	(4,36)	0.0000
Chi-square cross-sections	49.255003	4	0.0000

Based on the results of the Chow test, the prob cross-section F value was 0.0000, and the chi-square value was 0.0000. And these results show that the value of prob.  $< 0.05$  means H<sub>0</sub> is rejected, then H<sub>1</sub> is accepted, which means that the fixed effect model is better than the common effect model.

The Hausman test was conducted to determine the best model between the random and fixed effect models. Choosing a model using the Hausman test is done by looking at the Chi-Square probability value. If the Chi-Square probability value  $< \alpha(0.05)$ , the appropriate model used in this study is the fixed effect model. Conversely, if the Chi-Square probability value  $> \alpha(0.05)$ , the suitable model is the random effect model.

**Table 2. Hausman Test Results**

Test Summary	Chi-Sq. Statistics	Chi-Sq. df	Prob.
Random cross-sections	27.496829	4	0.0000

Based on the results of the Hausman test, the prob value was obtained. By 0.0000, this means the prob value.  $> 0.05$  indicates that H<sub>0</sub> is accepted; This explains that the regression with the random effect model is better than the regression using the fixed effect model. So in this study, the panel data regression method used is the fixed effect model.

### Model Estimation Results

The results of the data analysis consist of five variables: General Allocation Fund, Special Allocation Fund, Revenue Sharing Fund,

Expenditure on Goods and Services, and Open Unemployment Rate. Data analysis in this study uses econometrics with panel data estimation methods that refer to research (Putro, 2016). Because the transformation is usually used when there is a non-linear relationship between the independent variable and the independent variable, the logarithmic transformation will later make the non-linear relationship linear so that the regression equation must be made with a neutral logarithmic model. So the data analysis used in this study is panel data regression analysis using Natural Logarithms (Gujarati, 2015), that it aims to be able to produce the best model free from problems of multicollinearity, heteroscedasticity, autocorrelation with the following equation function:

$$TPTit = LNDAUit + LNDAKit + LNDBHit + LNBBJit \dots\dots\dots(2)$$

**Table 3. Regression Results**

Variables	coefficient	std. Error	t-Statistics	Prob.
C	-43.26941	23.58272	-1.834793	0.0740
LOGDAU	0.624299	0.788052	0.792205	0.4329
LOGGED	-0.765482	0.149779	-5.110741	0.0000
LOGDBH	1.406919	0.452586	3.108623	0.0035
LOGBBJ	0.562399	0.415813	1.352529	0.1838
R-squared	0.524947	Mean dependent var		3.832667
Adjusted R-squared	0.477441	SD dependent var		1.675911
SE of regression	1.211486	Akaike info criterion		3.326012
Sum squared residue	58.70798	Schwarz criterion		3.526753
Likelihood logs	-69.83528	Hannan-Quinn criter.		3.400846
F-statistics	11.05027	Durbin-Watson stat		0.866918
Prob(F-statistic)	0.000004			

Based on the model specifications test using the Chow test and the Hausman test, it was found that both of them chose the fixed effect model, so this model is the suitable model to analyze the effect of DAU, DAK, DBH, and BBJ on the Open Unemployment Rate in 5 Regencies/Cities in the DIY Province.

Based on Table 3 explaining the regression results of DAU, DAK, DBH, and BBJ variables on the Open Unemployment Rate, the following analysis model is obtained:

$$TPTit = -43.26941 + 0.624299LNDAUit + -0.765482 LNDAKit + 1.406919 LNDBHit + 0.562399 LNDBHit \dots\dots\dots(3)$$

The above equation can be interpreted as follows:

- a) A constant of -43.26941 states that if the independent variables DAU, DAK, DBH, and BBJ are considered constant, then the amount of TPT in 5 Regencies/Cities of DIY Province is -43.26941 percent.
- b) The regression coefficient value of the General Allocation Fund variable on the Open Unemployment Rate because the probability value is less than ( $\alpha = 0.05$ ), namely the coefficient of 0.624299, explaining that there is a positive relationship between the General Allocation Fund variable and the Open Unemployment Rate variable. The value of 0.624299 itself explains that if there is an increase in the value of the General Allocation

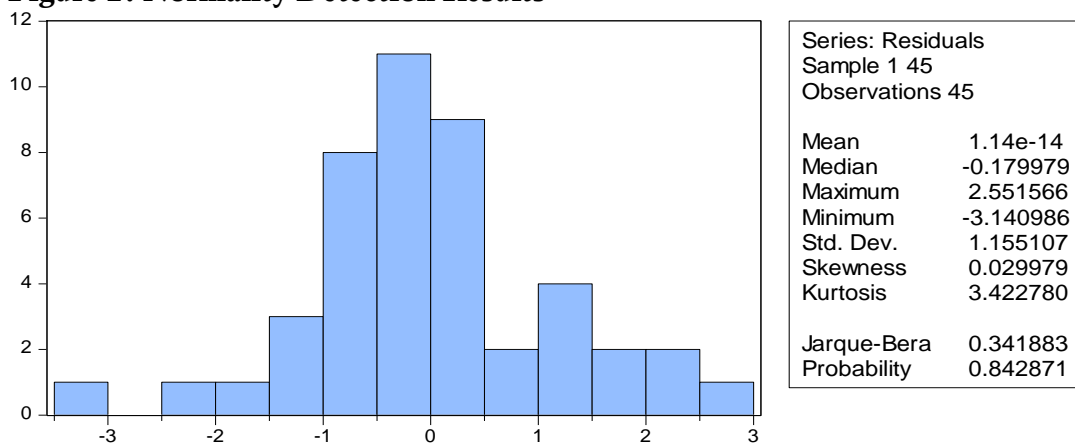
Fund by one percent, it will increase the value of the Open Unemployment Rate by 0.624299 percent.

- c) The regression coefficient value of the Special Allocation Fund variable on the Open Unemployment Rate because the probability value is more than ( $\alpha= 0.05$ ); namely, the coefficient of -0.765482 explains that there is a negative relationship between the Open Unemployment Rate variable and the Open Unemployment Rate variable. The value of -0.765482 itself explains that if there is an increase in the value of the Special Allocation Fund by one percent, it will reduce the value of the Open Unemployment Rate by 0.765482 percent.
- d) The regression coefficient value of the Profit Sharing Fund variable on the Open Unemployment Rate because the probability value is less than ( $\alpha= 0.05$ ), namely the coefficient of 1.406919 explains that there is a negative relationship between the Profit Sharing Fund variable and the Open Unemployment Rate variable. The value of 1.406919 itself explains that if there is an increase in the value of the Profit Sharing Fund by one percent, it will reduce the value of the Open Unemployment Rate by 1.406919 percent.
- e) The regression coefficient value of the Goods and Services Expenditure variable on the Open Unemployment Rate because the probability value is more than ( $\alpha= 0.05$ ), namely the coefficient of 0.562399, explaining that there is a negative relationship between the Open Unemployment Rate variable and the Open Unemployment Rate variable. The value of 0.562399 itself explains that if there is an increase in the value of the Special Allocation Fund by one percent, it will reduce the value of the Open Unemployment Rate by 0.562399 percent.

### Classical Assumption Deviation Detection Analysis

Normality detection determines whether the regression model's error component is normally distributed. Decision-making with the Jargue Bera or JB test, namely, if the probability value is  $> 5\%$ , these variables are normally distributed.

**Figure 2. Normality Detection Results**



Based on Figure 2 explains that the data is normally distributed because the resulting Jarque-Bera value meets the test criteria where if Probability  $>\alpha(0.05)$ , then the data is normally distributed (Reject H0, Accept H1); This means that it passes the normality test. The output results explain that the Probability value is  $0.341883 >\alpha(0.05)$ .

Multicollinearity is a situation with either a definite or nearly specific linear relationship among the independent variables (Gujarati & Damodar N., 2015). The selected model must be free from multicollinearity, or it can be said that there is no high correlation between the independent variables. Multicollinearity can be seen from the correlation coefficient. If the correlation coefficient is less than 0.9, multicollinearity does not occur.

**Table 4. Multicollinearity Detection Results**

Variables	coefficient Variances	Uncentered VIF	Centered VIF
C	556.1446	17051.52	NA
LOGDAU	0.621026	14142.84	2.721808
LOGGED	0.022434	426.4492	1.189772
LOGDBH	0.204834	3753667	1.539324
LOGBBJ	0.172900	3640424	1.927641

Based on Table 4 explains that the data does not occur multicollinearity or there is no relationship between the independent variables used because the Correlation Matrix value generated from each independent variable is  $<0.80$ , so multicollinearity does not occur (Accept H0, Reject H1).

According to Kuncoro (2006), heteroscedasticity arises when the errors or residuals of the observed model do not have a constant variance from one observation to another, meaning that each observation has different reliability due to changes in the underlying conditions that are not summarized in the model specifications.

**Table 5. Heteroscedasticity Detection Results**

Heteroskedasticity Test: Harvey			
F-statistics	2.055101	Prob. F(4,40)	0.1049
Obs*R-squared	7.671403	Prob. Chi-Square(4)	0.1044
Scaled explained SS	8.913415	Prob. Chi-Square(4)	0.0633

Based on Table 5, it can be seen regarding the heteroscedasticity test using the serial correlation test. The Prob Chi-Square value is the p-value of the Breusch-Godfrey Serial Correlation LM test, which is  $0.1044 > 0.05$  so that H0 is accepted or means no heteroscedasticity problem exists.

Autocorrelation is the correlation between members of observations ordered by time, such as time series data or space (such as cross-sectoral data). (Gujarati and Porter, 2015). Several procedures or ways to determine whether there is autocorrelation are carried out by using the autocorrelation test developed by Bruesch and Godfrey, which is more general and known by looking at the calculated Chi-Square compared to the Chi-Square table; the calculated Chi-Square is obtained based on the amount of data with the magnitude The resulting R-Square.

**Table 6. Autocorrelation Test Estimation Results**

Breusch-Godfrey Serial Correlation LM Test:			
F-statistics	4.682557	Prob. F(2,38)	0.0152
Obs*R-squared	8.897480	Prob. Chi-Square(2)	0.0117

Based on table 6 explains that there is an autocorrelation (Accept H0, Reject H1) because the calculated Chi-Square value is more than 0.05, where the calculated Chi-Square is 0.0117 < 0.05.

**Regression Analysis Statistical Test**

Statistical tests in this study were carried out using the coefficient of determination test (R2), Simultaneous Significance Test (F Test), and t-statistical test. Based on the results of the Chow test and the Hausman test that have been done previously, the appropriate regression model is used, namely the random effect model.

Calculation of the coefficient of determination (R2) aims to determine how much the independent variables in the study can explain the dependent variable. The value of R2 ranges from 0 to 1.

The R2 value indicates the magnitude of the independent variables in influencing the dependent variable. Based on the Coefficient of Determination (R2) value obtained of 0.524947 or 52.49 percent, it means that the DAU, DAK, DBH, and BBJ for the Open Unemployment Rate in 5 Regencies/Cities of the DIY Province in 2012-2020 is 52.49 percent.

The procedure for testing the simultaneous significance test (F test) can be done by looking at the probability value of the F statistic with the assumption that the probability value of the F statistic is smaller than  $\alpha(0.05)$  or significant to  $\alpha$ . The estimated model is feasible to accept, but vice versa; if the probability value of the F statistic is more excellent than  $\alpha(0.05)$  or not significant to  $\alpha$ , then the estimated model is not feasible to accept.

F test obtained an F-Table value of 2.574 and an F-Calculate value of 11.05027 with a significance value of 0.000004 on  $\alpha= 5$  percent. Therefore F-count > F-Table and the significance value is less than 0.05 (Probability < 0.05), then H0 is rejected, and H1 is accepted, so this study succeeded in proving that DAU, DAK, DBH, and BBJ on the unemployment rate Open in 5 Regencies/Cities of DIY Province in 2012-2020.

The test procedure for the individual parameter significance test (t-test) that can be carried out is by looking at the probability value of the t statistic. Suppose the probability value of the t statistic is smaller than  $\alpha(0.05)$  or significant to  $\alpha$ . In that case, the independent variables significantly affect the dependent variable. Still, vice versa, if the probability value of the t statistic is greater than  $\alpha(0.05)$  or not significant to  $\alpha$ , then the independent variables individually have no significant effect on the dependent variable.

**Table 7. T-test results – Statistics**

Variable	t-count	t-table	Prob	Test result
TPT	-1.834793	1,683	0.0740	Reject H0, Significant
LND AU	0.792205	1,683	0.4329	Accept H1, Significant
LND AK	-5.110741	1,683	0.0000	Reject H0, Significant



LNDBH	3.108623	1,683	0.0035	Reject H0, Significant
LNBBJ	1.352529	1,683	0.1838	Accept H1, Significant

Based on Table 7 explains the partial DAU, DAK, DBH, and BBJ variables on the Open Unemployment Rate in 5 Regencies/Cities of the DIY Province in 2012-2020; this is because the t-count value is greater than the t-table then H0 is rejected. Then the DAK variable has a negative and significant effect on the Open Unemployment Rate in 5 Regencies/Cities of DIY Province in 2012-2020; this is because the t-count value is less than the t-table (-t count < - t table, so reject H0).

### **The influence of DAU on TPT**

Based on the Codification of the government budget through fiscal policy, the DAU on the Ministry of Finance data examined for 2012-2020 shows that these budgets are classified as very helpful for local governments to develop an area/region based on regional development plans, both short, medium and long term.

Following the statistical tests that have been carried out, it can be seen that the regression coefficient value of the General Allocation Fund variable on the Open Unemployment Rate because the probability value is less than ( $\alpha = 0.05$ ), namely the coefficient of 0.624299 explaining that there is a positive relationship between the General Allocation Fund variable and the Open Unemployment Rate variable. The value of 0.624299 itself explains that if there is an increase in the value of the General Allocation Fund by one percent, it will increase the value of the Open Unemployment Rate by 0.624299 percent.

This study's results align with the research conducted by [Authority \(2012\)](#). DAU fiscal decentralization positively and significantly affects economic growth, unemployment, and poverty. Analysis results of [Rahmah & Zein \(2016\)](#) found that the general allocation fund affects economic growth in the province of Aceh. According to [Paseki et al. \(2014\)](#), available allocation funds reduce poverty.

### **The influence of DAK on TPT**

Based on the Codification of the government budget through fiscal policy, DAK on the Ministry of Finance data examined for 2012-2020 shows that these budgets are classified as very helpful for local governments to develop an area/region based on regional development plans, both short, medium and long term.

Following the statistical tests that have been carried out, it can be seen that the regression coefficient value of the Special Allocation Fund variable on the Open Unemployment Rate because the probability value is more than ( $\alpha = 0.05$ ), namely the coefficient of -0.765482 explains that there is a negative relationship between the Open Unemployment Rate variable and the Open Unemployment Rate variable. The value of -0.765482 itself explains that if there is an increase in the value of the Special Allocation Fund by one percent, it will reduce the value of the Open Unemployment Rate by 0.765482 percent.

The results of this study align with the research conducted by [Authority \(2012\)](#). The Special Allocation Fund has no effect on economic growth with a confidence level of 5% or a significant value of  $0.096 > \alpha = 0.05$ , then  $H_0$  is accepted, and  $H_1$  is rejected; This means that the special allocation fund variable does not affect the economic growth variable. Because DAK is allocated to specific regions to finance regional affairs activities, where these special activities have been adapted to the functions set by the APBN, DAK does not significantly affect each district/city. And in the distribution of DAK has three criteria in its distribution. [Ali & Ningsih \(2021\)](#) also found that special allocation funds did not affect unemployment. At the same time, [Manus et al. \(2021\)](#) found that special allocation funds have a positive but insignificant effect on economic growth.

### **The influence of DBH on TPT**

Based on the Codification of the government budget through fiscal policy, DBH on the Ministry of Finance data examined for 2012-2020 shows that these budgets are classified as very helpful for local governments to develop an area/region based on regional development plans, both short, medium and long term.

Following the statistical tests that have been carried out, it can be seen that the regression coefficient value of the Profit Sharing Fund variable on the Open Unemployment Rate because the probability value is less than ( $\alpha = 0.05$ ), namely the coefficient of 1.406919 explains that there is a negative relationship between the Profit Sharing Fund variable and the Open Unemployment Rate variable. The value of 1.406919 itself explains that if there is an increase in the value of the Profit Sharing Fund by one percent, it will reduce the value of the Open Unemployment Rate by 1.406919 percent.

This study's results align with the research conducted by [Putro \(2016\)](#). DBH has a negative and significant effect on TPT. This result follows the  $H_4$  hypothesis, and it can be said that every one hundred billion rupiahs DBH received will reduce the unemployment rate by 0.1%. [Arina et al. \(2019\)](#) profit-sharing funds do not have a significant effect on economic growth in the city of Manado. But research by [Bagus & Dwirandra \(2015\)](#) found that revenue-sharing funds positively and significantly affected regional spending in Bali.

### **Effect of BBJ on TPT**

Based on the Codification of the government budget through fiscal policy, BBJ on the Ministry of Finance data examined for 2012-2020 shows that these budgets are classified as very helpful for local governments to develop an area/region based on regional development plans, both short, medium and long term.

Following the statistical tests that have been carried out, it can be seen that the regression coefficient value of the Goods and Services Expenditures variable on the Open Unemployment Rate because the probability value is more than ( $\alpha = 0.05$ ), namely the coefficient of 0.562399 explaining that there is a negative relationship between the Open Unemployment Rate variable and

the Open Unemployment Rate variable. The value of 0.562399 itself explains that if there is an increase in the value of the Special Allocation Fund by one percent, it will reduce the value of the Open Unemployment Rate by 0.562399 percent.

This study's results align with the research conducted by [Mudrikah et al. \(2014\)](#). Expenditure on goods and services has a negative and significant effect on unemployment. Capital expenditure has a negative and insignificant impact on unemployment. According to [Princess \(2014\)](#), spending on goods and services positively affects the government's financial capacity in South Sumatra.

## **CONCLUSION**

Fiscal decentralization is a central government policy in which the central government gives Authority to local governments. Authority is provided through a predetermined budget. Then the funding is used for development in a region/region. The story of the area includes economic, educational, and health facilities. The existence of these facilities is an effort to increase economic growth, reduce poverty or reduce unemployment. Therefore, this study was conducted to see whether the DAU, DAK, DBH, and BBJ affected the Open Unemployment Rate in 5 Regencies/Cities of the DIY Province in 2012-2020.

Based on the results of the research and discussion, what can be concluded from this study is that the fiscal decentralization policy issued by the government can be allocated appropriately so that the community can utilize it. Fund transfers from the central government to regional governments as funds for regional development have been regulated in Law Number 23 of 2014. The forms of fiscal decentralization are General Allocation Funds, Special Allocation Funds, Revenue Sharing Funds, and Expenditure on Goods and Services. Then the results of this study show that the Special Allocation Fund and Revenue Sharing Fund significantly positively affect the Open Unemployment Rate for the 2012-2020 period.

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