

INVESTMENT IN THE PERSPECTIVE OF REGIONAL FINANCIAL PERFORMANCE OF CITY REGENCY IN JAMBI PROVINCE

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ABSTRACT

The problems in this study are first, how is the financial performance of the district and city areas in Jambi Province. Second, what are the factors that influence the level of investment in the perspective of regional financial performance in districts and cities in Jambi Province. To analyze the first research problem, the analysis model of the Weighted Average Regional Financial Performance Index is used, which consists of the Fiscal Dependency Index, the Capacity Index for Income Creation, the Capital Expenditure Proportion Index and the Government Sector Contribution Index. To analyze the second problem used Panel Data Regression Analysis Model. as well as secondary data analysis research methods, which are equipped with observation methods. This study concludes that first, the financial performance of the district and city districts in Jambi Province is in moderate condition. Second, the factors of economic growth, the provincial minimum wage and the exchange rate affect the level of investment in the perspective of regional finance.

KEYWORDS: Investment, Regional Financial Performance



Introduction

Regional autonomy and fiscal decentralization that began in the early 2000s were a manifestation of the central government's authority to grant rights to local governments. Fiscal decentralization will provide optimal benefits if followed by the ability of regions to increase their financial capacity.

According to Law Number 33 of 2004 concerning sources of regional revenue in the context of implementing fiscal decentralization, it consists of Regional Original Revenue, balancing funds and other legitimate income. The law provides opportunities for regions to improve financial performance in the context of realizing regional independence and reducing fiscal dependence on the center. For Jambi Province, the government's budget continues to increase in line with the growing need for development financing. In 2015 the amount of the expenditure budget was 3.5 trillion rupiah and increased to 4.8 trillion in 2019 or experienced a growth of around 9% per year. If we look closely at the proportion between direct spending and indirect spending, it can be seen that the proportion of direct spending is still far from ideal. This can be seen from the still small proportion of direct spending from 2015 to 2019 which is only 48% on average. Although in terms of capital expenditure, it is relatively sufficient to meet the criteria, which has reached 49%. This means that the proportion of indirect spending is still dominant in the Jambi Province budget, which is an average of 52%.

By observing the increasing development of the revenue and expenditure budget in Jambi Province, it should have a positive impact on the regional macro economy. Conceptually, government spending is one of the variables that determine the improvement of the regional macro economy. In this perspective, the amount of government spending provides support for increasing investment in Jambi Province. This increase in investment is expected to have an influence on regional economic development so that in the end it will increase regional financial capacity through increasing Regional Original Income

Observing such conditions, it is necessary to analyze the factors that influence the increase in investment in Jambi Province. In the context of the hypothesis, investment is influenced by economic conditions as reflected in economic growth, wage levels and exchange rates. The problems in this study are first, how is the financial performance of the district and city areas in Jambi Province. Second, what are the factors that influence the level of investment in the perspective of regional financial performance in districts and cities in Jambi Province.

Method

In this study, secondary data analysis methods will be used. To further maximize the results, it is also equipped with an observation method. What is meant by secondary data analysis is data that has been reported by an agency where the agency itself does not directly collect data, but is obtained from other parties who have first collected and published it (Singarimbun

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1989). The observation method in question is research that observes the object under study and uses a questionnaire as the main tool. This method is used to complement the secondary data analysis conducted. To answer the purpose of the first research, namely to analyze the factors that influence the level of investment in the City District in Jambi Province, the Simultaneous Data Panel Equation is used, with the following equation:

$$INV = \alpha_0 + \alpha_1 PE + \alpha_2 UMP + \alpha_3 KURS + u \dots\dots\dots (1)$$

- INV = Investment Rate
- PE = Economic growth
- UMP = Minimum Wage
- KURS = Exchange
- e = error term
- α_0 = intercept
- $\alpha_1 - \alpha_4$ = regression coefficient

Result

The following analysis will be carried out on the structural equation of the Investment Level. The structural equation model of Investment Level (INV) is formed from the variables of Economic Growth (PE), Provincial Minimum Wage (UMP) and Exchange Rate variables. Based on the estimation results of the Investment Level (INV) parameter, the coefficient of determination (Adjusted R²) is 0.8786, which means that the model has been able to explain the diversity of the problem by 87.86% and the rest is explained by other variables outside the model. The endogenous variables in the Investment Level equation (INV) are significantly affected by the explanatory variables together, which are indicated by the value of Prob = 0.000. This means that together the independent variables that affect the Investment Level (INV), have a significant effect on the level of $\alpha = 0.05$.

The results of the estimation of the equation show that the Investment Level is partially influenced by the variable factors of Economic Growth (PE), Provincial Minimum Wage (UMP) and Exchange Rate, the significance level of which is 5%. The following table provides more complete information on the results of parameter estimation for the Investment Level structural equation.

Table 5.6. Estimation Results of Structural Equation Parameters Investment Level

Variabel	Koefisien	Probabilitas
Intersep	12,23321	

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Eco Growth (PE)	0,25236	0,135
Minimum Wage (UMP)	6,39845	0,022
Kurs	-0,16166	0,132

*Signifikan 15%

Prob = 0,000

Adjusted R²= 0,8786

Discussion

It is necessary to improve the financial performance of districts and cities in Jambi Province through increasing sources of regional income and increasing expenditures related to improving the regional economy. efforts to increase investment need to be carried out through increasing regional economic growth, increasing the UMP and stability of the exchange rate.

Conclusion

Based on the analysis that has been done in the previous section, it can be concluded that the level of investment is influenced by economic growth, the provincial minimum wage. Policies that can be carried out in order to increase regional investment are through increasing capital expenditures in order to provide support for the availability of infrastructure

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