

CHAPTER IV

GENERAL DESCRIPTION

A. State of Geographic D.I Yogyakarta

D.I Yogyakarta is one of the 33 provinces in Indonesia and is located in Central Java Island. D.I Yogyakarta is located in the southern central part of Java Island, astronomically located at $7^{\circ} 33' \text{LS} - 8^{\circ} 12' \text{LS}$ and $110^{\circ} 00' \text{BT} - 110^{\circ} 50' \text{East}$, with an area of 3,185.80 km².

Based on physiographic units D.I Yogyakarta area consists of mountains and lowlands. It is noted that D. I Yogyakarta have an area of 3,185.80 km² or 0.17 percent of Indonesia's width of 1,860,359.67 km². Consisting of 5 districts/cities:

TABLE 4.1

The Area's width in 5 districts/cities of D.I Yogyakarta

Districts / Cities	Area's width (km ²)
Kulonprogo District	586,27 km ²
Bantul District	506,85 km ²
Gunung Kidul District	1.485,36 km ²
Sleman District	574,82 km ²
Yogyakarta City	32,50 km ²

Source: Province of D.I Yogyakarta in Figures, BPS, 2016

The largest area in D.I Yogyakarta is Gunung Kidul district which is almost half of D.I Yogyakarta with an area of 1,485.36 km² or 43.63

percent of the width of D.I Yogyakarta, while with the lowest area occupied by the Yogyakarta city which only has the area amounting to 32.50 or 1.02 percent of the width of D.I Yogyakarta.

Administratively D.I of Yogyakarta covers 1 city and 4 districts, 78 sub-districts, 45 urban villages and 393 villages. Yogyakarta city consists of 14 sub-districts 45 villages, Bantul district consists of 17 sub-districts 75 villages, Kulonprogo district consists of 12 sub-districts 88 villages, Gunung Kidul district consists of 18 sub-districts 144 villages, and Sleman district consists of 17 sub-districts 86 villages.

B. State of Population D.I Yogyakarta

The number of population D.I Yogyakarta every year has increased, wherein 1996 the population in D.I Yogyakarta amounted to 2,936,502 inhabitants. And until now the population growth reached 3,681,191 inhabitants by 2015. One of the factors of increasing population growth is related to the condition of D.I Yogyakarta as one of relatively safe and peaceful area so that migration goes bigger than out-migration.

TABLE 4.2

The Population of 5 districts/cities D.I Yogyakarta period 1996-2015

Year	Kulonprogo	Bantul	Gunung Kidul	Sleman	Yogyakarta
1996	353600	706950	621650	818220	434086
1997	349950	707750	618500	818000	429500
1998	357017	730540	736292	824266	480954
1999	371163	770752	668502	887523	398380
2000	370965	781059	670544	901735	397398
2001	370728	790114	672422	915081	395775
2002	370474	799236	674273	928579	394140
2003	370202	808423	676095	942231	392492
2004	373252	846022	679419	971899	427442
2005	373770	862961	681554	990130	435236
2006	374142	884086	683443	1013178	445258
2007	374445	896994	685210	1026767	451118
2008	374783	909812	686772	1040220	456915
2009	387493	899312	675474	1074673	389685
2010	388869	911503	675382	1093110	388627
2011	390207	921263	677998	1107304	390553
2012	393221	927956	684740	1114833	394012
2013	403179	947072	700191	1141733	402679
2014	407709	959445	707794	1154501	407667
2015	412198	971511	715282	1167481	412704

Source: Projected Population in Province of D.I Yogyakarta, BPS, Several Edition, Processed

Population data used in this research is the population of 5 districts/cities D.I Yogyakarta period 1996-2015. Based on BPS, with the total area of D.I Yogyakarta province is 3.185,80 km², the population density in DIY is 1.155 inhabitants per km². In terms of population density of Yogyakarta city is the densest city that is recorded up to 412.704 inhabitants with an area of only 1.02 percent of the area of D.I Yogyakarta. While Gunung Kidul district has the widest area reached

46.63 percent the area of D.I Yogyakarta. It has the lowest population density inhabited by 715.282 inhabitants. Then, the Sleman district has the largest population of 1.167.481 inhabitants with an area of 18.04 percent of the area of D.I Yogyakarta. The high flow of urbanization encouraged people to prefer industrial areas with the assumption to raise their standard of living, while Kulonprogo District has the lowest population of 412.198 inhabitants with an area of 18.40 percent of the area of D.I Yogyakarta. It is shown that the growth of urban population is much faster than the growth of the villagers.

C. State of Economy D.I Yogyakarta

1. Development of the Economy and the Structure of Business Field.

One indicator to assess the success of development of a region is the high economic growth. Economic growth is expected to increase the ability of factors that stimulate production for the development of regional economies on a larger scale. In line with the government's policy after the implementation of regional autonomy of districts/cities since 2001, the development in the region is expected to further encourage equitable development, and also accelerate the economic recovery. The stable of economic growth will impact on the increasing population income which ultimately aims to improve the welfare of the society.

Increases that occur on the income of the society in a region can be seen in the progress of the economy by looking at the value of changes in Gross Regional Domestic Product (GRDP) that occurred in area.

TABLE 4.3

Development of GRDP at 2000 of DIY period 1996-2015 (millions rupiahs)

Years	GRDP at Constant Market Prices	Economic Growth %
1996	13736792	7.8
1997	14203843	3.4
1998	12584605	-11.4
1999	12962114	3
2000	13480599	4
2001	14056321	4.27
2002	14689240	4.5
2003	15360409	4.57
2004	16146424	5.12
2005	16910877	4.73
2006	17535749	3.7
2007	18291512	4.31
2008	19208938	5.02
2009	20051496	4.39
2010	21044420	4.95
2011	22129707	5.16
2012	23308558	5.33
2013	24567476	5.4
2014	25869522	5.3
2015	27137128	4.9

Source: Gross Regional Domestic Product, BPS, Several Editions, Processed.

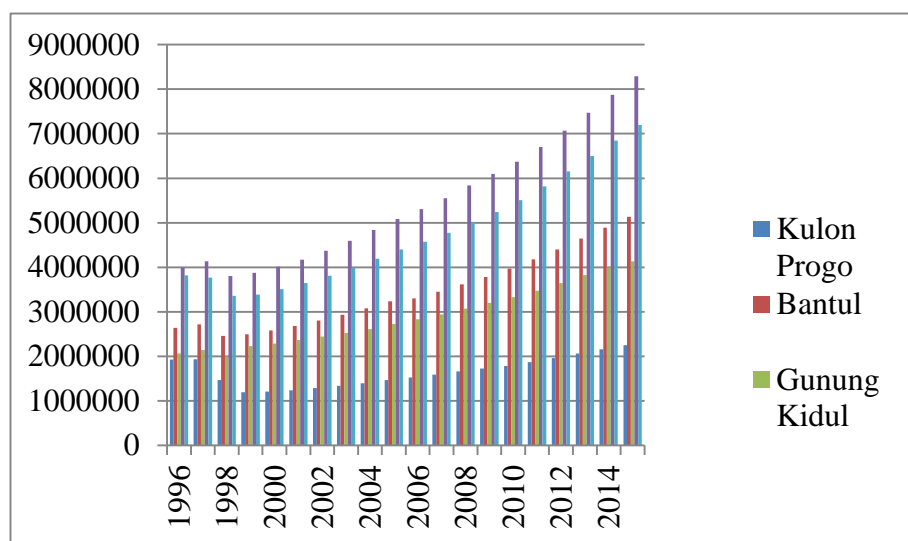
Based on the BPS in the document of Gross Regional Domestic Product, shows that the pattern of GRDP development in D.I

Yogyakarta based on the constant market price of 2000, GRDP of D.I Yogyakarta shows an increasing trend from 1999-2015. However, in 1998 the D.I Yogyakarta economy decreased to 12.584.605 rupiahs with a negative economic growth rate of 11.40 percent, due to the monetary crisis that occurred in 1997. After the monetary crisis, DI Yogyakarta's economy gradually increased to 27.137.128 rupiahs in 2015.

Based on the distribution of business field, generally the economic structure of D.I Yogyakarta is the primer sector (agriculture), secondary sector (manufacturing industry, construction), tertiary sector (communication, accommodation, services), but the most dominant sector is the processing industry sector.

The economic growth in this research is measured by the value of Gross Regional Domestic Product at Constant Market Price (GRDP ADHK) from 5 Districts/Cities in Province D.I Yogyakarta period 1996-2015. The graph shows that in general, the GRDP in 5 districts/cities in DIY Province increased every year after the 1997 crisis. The highest GRDP value is Sleman district that increasing every year. While the lowest GRDP value is Kulonprogo district. Because of the economic structure in each district/city looks different.

The largest contribution of Sleman District is obtained from the processing industry sector and also the tourism which is widely available in the Sleman District. Meanwhile, GRDP Kulonprogo Regency is still dominated by the agricultural sector.



Source: Gross Regional Domestic Product, BPS, Several Editions, Processed.

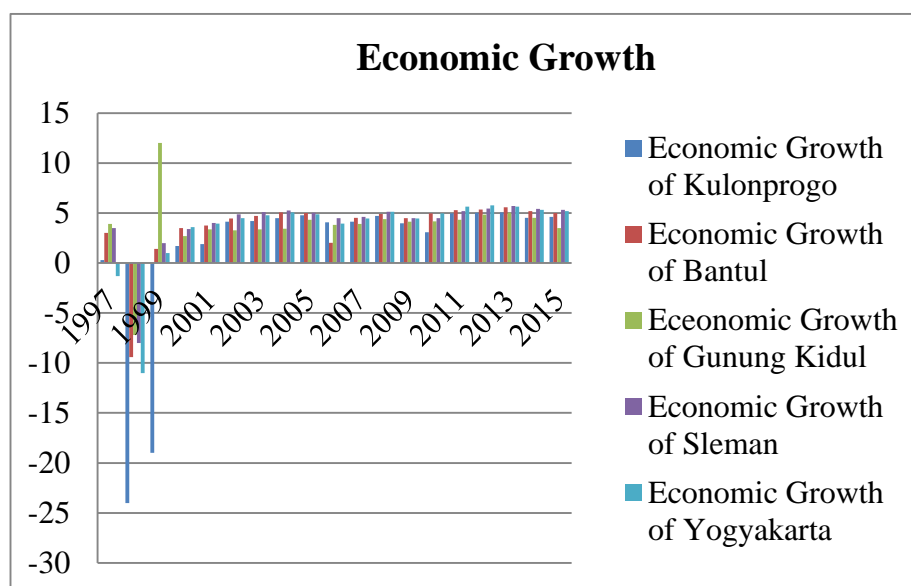
FIGURE 4.1

GRDP at 2000 in 5 Districts/Cities of DIY period 1996-2015

Based on the graph shows during the monetary crisis of 1997 can affect the rate of economic growth in 5 districts/cities. In the graph, the rate of economic growth in 5 districts/cities of DIY decreased to grow in the negative from the impact of this crisis in 1998. The districts with significant contraction are Kulonprogo district which grows negatives by 24 percent, followed by Yogyakarta city where economic growth has decreased, plus the pressure from the crisis to a negative growth of 11 percent. Bantul district decreased by

9.4 percent, and then Sleman districts and Gunung Kidul districts have experienced a decrease of 7 percent.

Gradually all four districts/cities of DIY experienced a recovery from the crisis indicated by the positive growth in 1999. However, different things happened in Kulonprogo district which still experienced a decrease after the monetary crisis. Since the existence of fiscal decentralization in 2001, economic growth has shown a positive and stable growth year after year.



Source: Gross Regional Domestic Product, BPS, Several Editions, Processed.

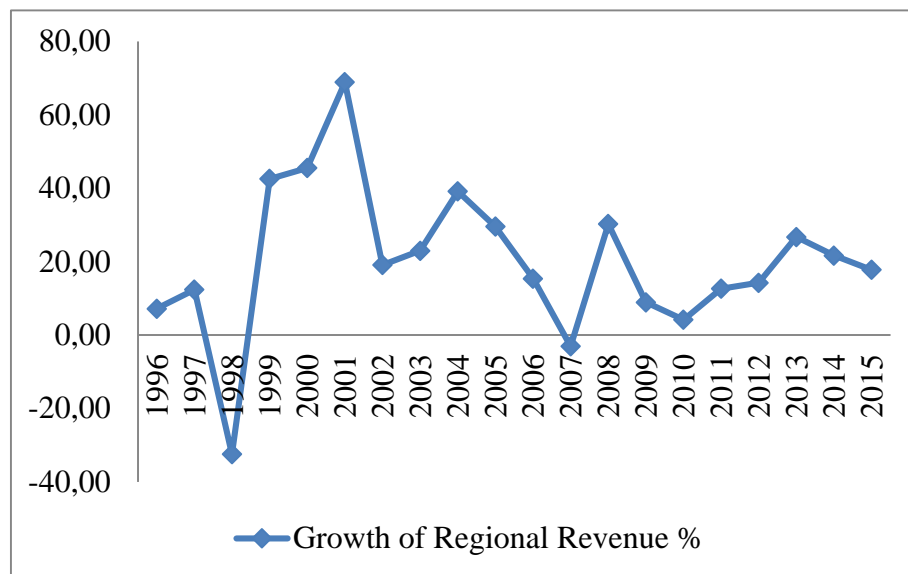
FIGURE 4.2

Economic Growth in 5 District/Cities of DIY period 1996-2015

2. State of Regional Revenue and Expenditure Budget (APBD) D.I Yogyakarta

APBD of D.I Yogyakarta, as a reflection of budgetary support for the implementation of government duties, regional economic development and public welfare from the budget year period 1996-2015. APBD growth fluctuates from year to year, both from the aspect of funding and expenditure.

The local government through efforts to fulfill the regional obligation is one of its goals is to improve the economy which is expected to directly affect the quality of life of the society. In order to fulfill the goal, the government is expected to have its own financial system both in terms of income and expenditure so that it does not depend on the central government.



Source: The Central Bureau of Statistics, BPS, Several Editions, Processed

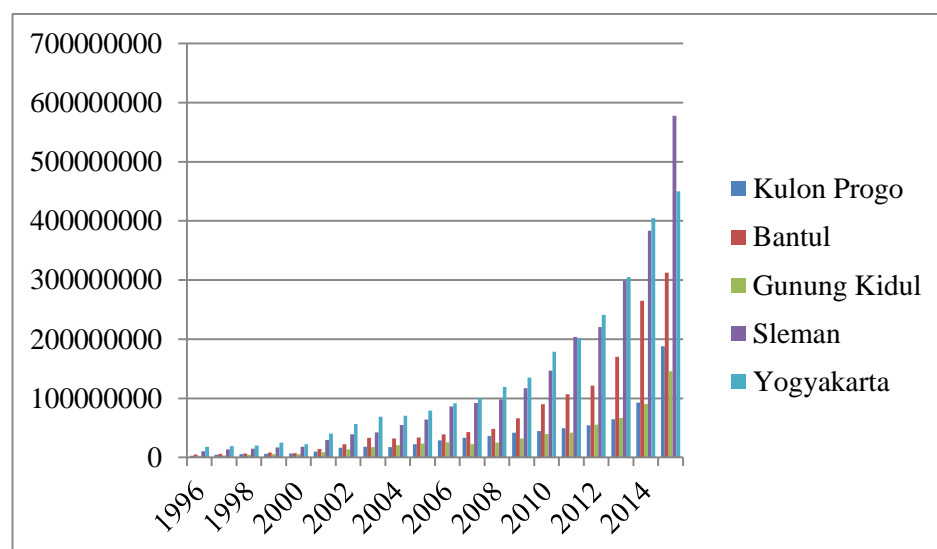
FIGURE 4.3

Local Original Revenue Growth of DIY period 1996-2015

In 1997 the realization of the amount local original revenue of DI Yogyakarta amounted to 60.119.526 rupiahs fell to 40.594.308 rupiahs, due to the monetary crisis in 1997 which had an effect on the realization of local original revenue of D.I Yogyakarta in 1998, with a negative growth of 32.48 percent. In the next year, gradually the local original revenue was able to grow up to 68.93 percent with the total realization of local revenue amounted to 142.284.892 rupiahs in 2001.

In other words, the decline of state local original revenues has encouraged increased regional autonomy coupled with a decentralized system of government and finance. Where in that year began the enactment of regional autonomy. Until 2006, the amount of local

original revenue realization amounted to 433.757.022 rupiahs fell to 420.568.426 rupiahs with a negative growth of 3.04 percent in 2007, due to the earthquake that struck D.I Yogyakarta in 2006. Up to now the realization of the local original revenue of D.I Yogyakarta reached as much as 1.453.213.231 rupiahs in 2015.



Source: The Central Bureau of Statistics, BPS, Several Editions, Processed

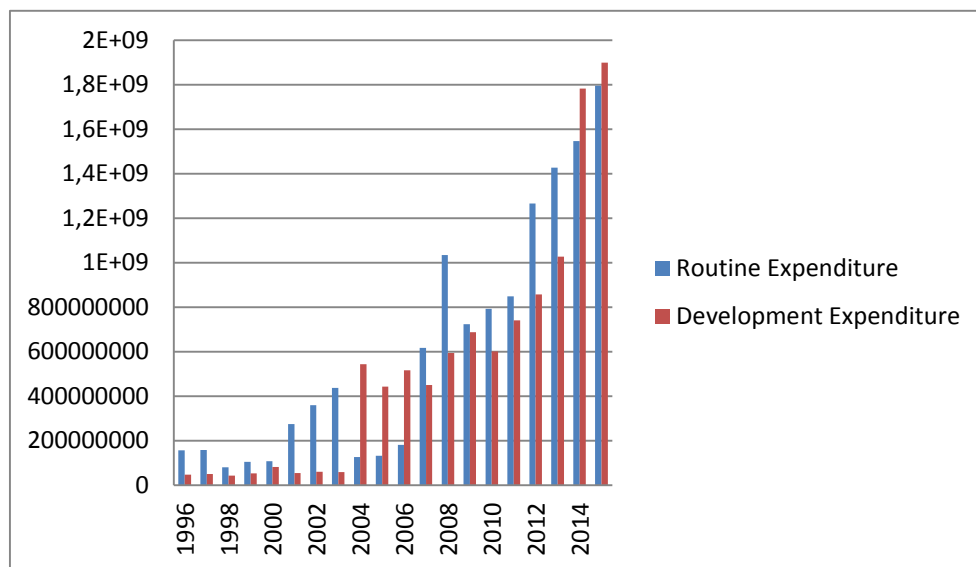
FIGURE 4.4

Local Original Revenue in 5 Districts/Cities DIY 1996-2015

The data of local original revenue used in this research are the amount of local tax, local retribution, local wealth management results and others. It is contained the Budget Plan of Government's Receipts in 5 districts/cities D.I Yogyakarta period 1996-2015. In the graph of local original revenue in 5 districts /cities of D.I Yogyakarta increased every year after the enactment of regional autonomy.

It can be seen that the regional revenue, the highest local original revenue is obtained by Sleman district in 2015 which has excelled from the local original revenue of Yogyakarta City, while the lowest local original revenue is Gunung Kidul district. This is because the largest amount of local original revenue in Sleman District is obtained from Local Taxes. Meanwhile, in Gunung Kidul district the largest amount of local original revenue earned is obtained from the original revenue of the legitimate area (others).

Government's expenditure is one of obligation as a manifestation of government participation in the regional development effort. Under decentralization, governments have an obligation to carry out properly the economic activities so as to achieve welfare and prosperity. In order to achieve these obligations, one of the policy measures is that the government needs to spend their expenditures either directly and indirectly.



Source: Source: The Central Bureau of Statistics, BPS, Several Editions, Processed

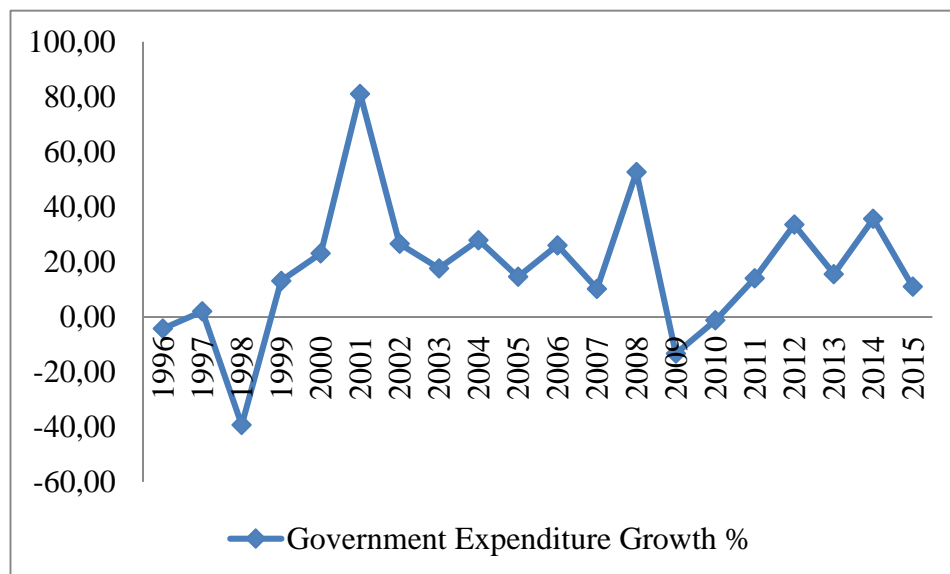
FIGURE 4.5

Government's Expenditure of DIY

Routine spending as an indirect expenditure issued by the government for the maintenance or administration of daily government. It consists of personal expenditures, profit expenditures, subsidies expenditures, social assistance grants expenditures, profit's portion expenditures for province /regency /city /village government and unexpected expenditures. This expenditure has an important role to support the mechanism of the system of government as well as efforts to increase efficiency and productivity.

While development spending as direct expenditure because it is intended to finance development programs and public services in an effort to progress and improvement aimed toward the goal to be achieved both physical and non physical. The physical development

such as the construction of hospitals, public facilities, and others. As well as the nature of non-physical development such as training mental community mentoring and others.



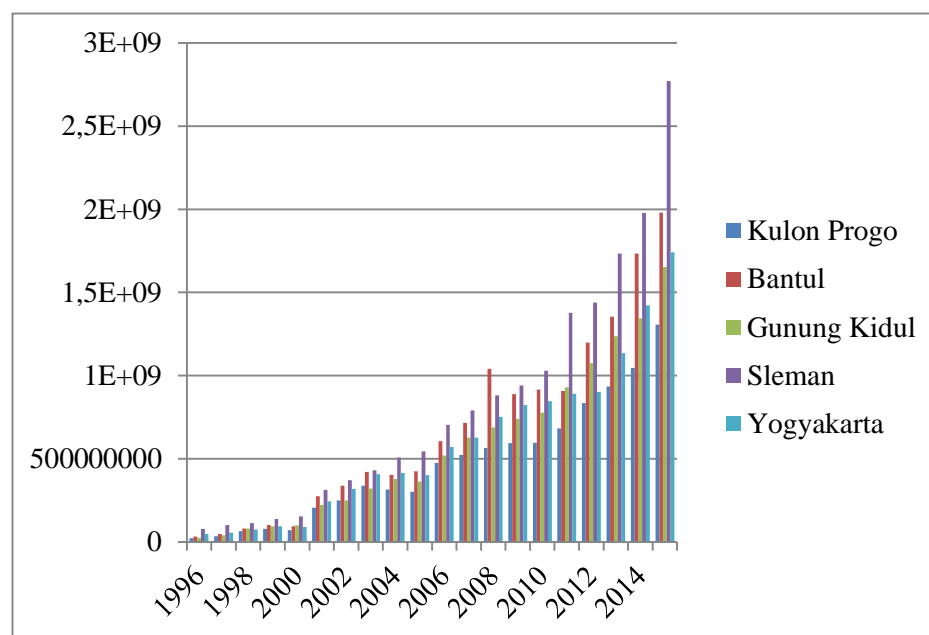
Source: The Central Bureau of Statistics, BPS, Several Editions, Processed

FIGURE 4.6

Government's Expenditures Growth of DIY period 1996-2015

From the aspect of regional expenditure, the realization of government's expenditures in DI Yogyakarta in 1997 amounted to 23.102.860 rupiahs which decreased to 139.709.347 rupiahs with negative growth of 39.28 percent in 1998, due to the crisis in 1997. Gradually the growth of government expenditure has been recovering with the realization of government's expenditures of 352.176.546 rupiahs in 2001 which enacted regional autonomy. Until in 2008, the realization of government's expenditures amounted to 1.629.069.251

rupiahs which fell to 1.412.048.985 rupiahs with a negative growth of 13.32 percent, due to the impact of the crisis in 2008. Throughout the various times of the crisis, the current realization of government's



expenditures amounted to 3.696.464.877 rupiahs in 2015.

Source: The Central Bureau of Statistics, BPS, Several Editions, Processed

FIGURE 4.7

Government's Expenditures in 5 Districts/Cities DIY 1996-2015

The government's expenditure data used in this research is the amount of government spending both directly and indirectly contained in the Budget Plan of Government's Expenditures in 5 districts/cities D.I Yogyakarta period 1996-2015. On the government's expenditures graph, it shows that gradually the government's expenditures in 5 districts/cities of D. I Yogyakarta have been increasing every year. This

data shows that Sleman district is the largest government spending of 2.77 trillion rupiahs in 2015, while Kulonprogo district is the lowest government spending of only 1.30 trillion rupiahs.

Beginning in 2001, regional autonomy has been implemented in Indonesia, where economists have begun to pay particular attention to regional economic growth. The definition of regional autonomy in Law no. 23 of 2014, that regional autonomy is the right, authority and obligation of the autonomous regions to regulate and manage their own affairs and the interests of local communities in the system of the Republic of Indonesia republic.

Therefore, the impact after regional autonomy has been implemented. It many changes have been made by local governments in empowering their respective regions. The policy of regional autonomy is a means to create better development, because this policy will be able to increase the economic growth and welfare of the community, where local government will be more efficient in the management of resources available in each region and the provision of public goods to facilitate the economic activity.

On the other hand, regional autonomy demands regional independence in various fields, including independence in funding the implementation of development in the region. The local original revenue has contributed to economic growth. Because of the greater local original revenue (PAD), it indicates the independence of the area.

Increasing PAD will affect the GRDP. Then the government should explore the economic potential that exists in each region.

3. State of Fiscal Decentralization D.I Yogyakarta

The regional fiscal decentralization shows how much the local government relies on central government to finance development (Supriyadi, Armandelis, & Rahmadi, 2013).

Based on the criteria made by UGM Fisipol in cooperation with Badan Litbang Depdagri in 1991 (Tan, 2010) The fiscal decentralization standard is as follows:

- a. Value ratio between 0.00% - 10% is categorized very less criteria
- b. Value ratio between 10.1% - 20% is categorized less criteria
- c. Value ratio between 20.1% - 30% is categorized medium criterion
- d. Value ratio between 30.1% - 40% is categorized enough criteria
- e. Value ratio between 40.1% - 50% is categorized good criteria
- f. Value ratio above 50% are categorized very good criteria

TABLE 4.4

The Degree of Fiscal Decentralization in 5 district/cities of D.I Yogyakarta period 1996-2015

Years	DDF Kulon Progo	Categorized	DDF Bantul	Categorized	DDF Gunung Kidul	Categorized	DDF Sleman	Categorized	DDF Yogyakarta	Categorized
1996	13.12659172	less	15.2788441	less	9.879280598	very less	13.2903259	less	36.36041605	good
1997	12.06711815	less	12.7289232	less	9.103308107	very less	13.2947514	less	32.86727695	good
1998	8.359667194	very less	7.95904896	very less	5.455863758	very less	12.7092586	less	24.77220965	medium
1999	7.410085136	very less	7.62522951	very less	5.627534433	very less	11.9459825	less	23.5364315	medium
2000	9.169879622	very less	7.10719732	very less	5.565432189	very less	11.6390624	less	20.74588591	medium
2001	4.275107634	very less	4.85448593	very less	3.942225672	very less	8.87415969	very less	16.55359931	less
2002	6.798883869	very less	6.24827907	very less	5.008384815	very less	9.36062526	very less	17.65626134	less
2003	5.398291714	very less	7.54154343	very less	4.838347604	very less	9.89250321	very less	16.8662845	less
2004	6.129354822	very less	7.91579416	very less	6.719447598	very less	12.3161298	less	20.63996499	medium
2005	7.589484979	very less	7.931362	very less	6.989998435	very less	13.5516126	less	22.1866482	medium
2006	6.69330315	very less	6.57926976	very less	4.923655947	very less	12.9028306	less	17.83019933	less
2007	6.643927593	very less	6.23062667	very less	3.852869349	very less	12.2600488	less	17.55559155	less
2008	6.768673945	very less	5.05242634	very less	3.879095929	very less	11.7125496	less	17.55394027	less
2009	7.292040036	very less	7.95582043	very less	4.503249183	very less	12.9008619	less	19.1922134	less
2010	7.858819778	very less	10.2988381	less	5.449668542	very less	14.9250979	less	23.70343109	medium
2011	7.573348817	very less	11.8646868	less	4.97840958	very less	15.9845432	less	25.44135218	medium
2012	6.779202112	very less	10.1722815	less	5.504440803	very less	15.9338628	less	26.81010885	medium
2013	7.047406194	very less	12.7085386	less	5.68854599	very less	17.866875	less	28.44514247	medium
2014	9.001358231	very less	15.7067861	less	6.974417895	very less	20.510183	medium	33.40813798	enough
2015	15.12091587	less	16.8230114	less	9.450273965	very less	25.5308713	medium	31.60003224	enough
Average	8.055173028	very less	9.42914966	very less	5.91672252	very less	13.8701068	less	23.68625639	medium

Source: Province of D.I Yogyakarta in Figures, BPS, Several Editions, Processed.

The average of Fiscal Decentralization of Regional Income in 5 districts/cities of D.I Yogyakarta period 1996-2015 is the average of fiscal decentralization of each district/city in D.I Yogyakarta is different.

This condition illustrates that the average degree of Fiscal Decentralization in Kulonprogo, Bantul and Gunung Kidul districts are categorized very less criteria by the average percentage of DDF by 8.05 percent, 9.42 percent and 5.91 percent, while the district of

Sleman district with an average percentage of DDF of 13.87 is categorized less criteria, for Yogyakarta with the average percentage of DDF by 23.68 is categorized as medium criteria..

The highest DDF occurred in Yogyakarta city and the lowest DDF occurred in Gunung Kidul district with a average percentage of DDF of 23.68 percent and 5.91 percent during the period 1996-2015. The highest DDF of PAD is due to the increase of the local original revenue is greater than the increase in the total regional revenue. Increased PAD comes from local tax, local retribution, and others. Similarly, the lowest DDF of PAD is due to an increase in the total regional revenue greater than the local original revenue. it increased total regional revenue comes from a portion of tax and non-tax receipts, general allocation fund (DAU), and Special Allocation Fund (DAK).

The smallest of degree of fiscal decentralization from PAD shows that Kulonprogo, Bantul and Gunung Kidul districts during the period 1996-2015 are still highly dependent on revenue sourced outside the PAD.