

Analysis of Development Inequality in Jambi Province

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ABSTRACT

This research is entitled Analysis of Development Inequality in Jambi Province. The research aims to determine the condition of development inequality in Jambi Province and to determine and analyse the influence of Direct Expenditure, Regional Original Income, Domestic investments, and Human Development Index on development inequality in Jambi Province for 2018. 2002-2022. The method used in this research is the multiple linear regression method. The research results show that from 2002 to 2022 the average value of the Williamson Index was recorded at 0.439, indicating that the inequality level falls into the moderate inequality category. The largest development inequality occurred in 2010, with a Williamson Index value of 0.533. The largest reduction in development inequality occurred in 2020 where the value of the Williamson Index was able to decrease by 0.08 from 0.432 in 2019 to 0.352 in 2020. During the research period from 2002 to 2022, development inequality was only in 2 categories, namely the medium category and the high, and dominated in the medium category. Direct expenditure, local revenue, domestic investment, and human development index have a significant effect on development inequality in Jambi province in the period 2002 to 2022, either simultaneously or partially.

Keywords: *Development Inequality, Direct Expenditures, Regional Original Income, Domestic Investment, and Human Development Index*

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1.0 INTRODUCTION

The goal of national development is to create a prosperous, just, and prosperous society by the principles contained in Pancasila and the 1945 Constitution. However, the distribution of development throughout the country is not always evenly distributed. Some regions were able to achieve significant progress, while other regions experienced slow development and were even left behind. Indonesia is a country that has diversity in each region, where each region has different potential, so it is not surprising that many problems will be found in the development process (Marihot, 2020).

Development inequality between regions can occur horizontally, namely in the form of differences between rural and urban areas inland and border areas, and vertically, namely in the form of differences in income distribution between communities. Reducing inequality in regional development is a long-term effort whose impact cannot be immediately enjoyed in the short term, but unresolved development gaps between regions will be a serious problem and can give rise to justice problems (Prastowo, 2014). One of the problems that still cannot be resolved in Indonesia is regional inequality or development gaps between regions. In some areas, especially in large cities and industrial areas, economic growth and infrastructure development are taking place rapidly, supported by large investments, access to technology, and the availability of skilled human resources. However, on the other hand, many rural areas and inland areas are still lagging, with slow economic growth rates and limited access to basic facilities such as education, health, and transportation. This gap creates significant disparities in the quality of life of the population, hinders equitable national development, and requires holistic and sustainable policy interventions to ensure that all regions of Indonesia can enjoy the benefits of equitable economic and social development (BPS, 2022).

Currently, Indonesia consists of 7 islands and 38 provinces, with each region having diverse natural and technological potential. Differences in social, economic, and natural resource aspects between these provinces are the main causes of development inequality. Dominant economic activities in provinces rich in natural resources have created significant disparities. Although natural wealth should be the main driver of economic development and spread its benefits, not all regions have the same natural wealth, resulting in development disparities that need serious attention (Ridho, 2021). In this regard, the government's role is very much needed in the economy which will influence economic growth in regions that do not have natural resources that can attract investors, which can have an impact on the emergence of development inequality. The role of government has an important significance in regulating the economy which will influence economic growth in areas that do not have natural investment attractions, which in the end can cause development inequality. The role of government can be divided into four categories, namely allocation, distribution, stabilization, and dynamization. This can be reflected in different fiscal policies in each region, which can then cause development disparities that affect regional income which is reflected in Gross Regional Domestic Product.

Halim (2001) and Todaro (2003) highlight the importance of local governments in prioritizing the optimal allocation of funds between apparatus spending and public spending. Halim emphasized that the higher the percentage of apparatus spending, the less investment is available for community economic infrastructure, and vice versa. Todaro also emphasized that government spending can influence disparities and inequality, by suggesting a larger budget allocation for the public interest, both through direct transfer payments and through job creation, education subsidies, health subsidies, and others. Thus, government spending on public infrastructure development will have a direct impact on disparities in economic development, which will ultimately improve people's welfare.

In this regard, the success of development cannot be separated from the government's role in determining the direction of government expenditure and development investment, efforts to increase regional income as an effort to improve community welfare and equitable development. One form of the government's direct role is through government budget intervention, in this case allocating economic resources in the form of goods and services needed by local communities. Therefore, the need for consistency in policies and planning as well as mainstreaming budgets related to development, programs, and gap reduction activities is very important. So far, various government efforts to reduce development gaps between regions, both directly and indirectly, in the form of regulatory frameworks and budget frameworks are expected to have an impact on regional economic progress which ultimately creates increased regional development (Hartai, 2021).

Apart from government spending, income also plays a very important role in the development of a region. If an area has a high income, that area will receive attention in various aspects, including development. Regional revenues from Original Regional Income should be the main source of income for the region, because this income comes from local potential and the region has full authority to use it under regional needs and priorities. Not only Regional Original Income, investment achievements also have quite a big influence on the emergence of development inequality. Jhingan (2014) explains that

many factors cause a reverse impact on an area, one of which is investment. Regional inequality can occur because investment allocation is concentrated in certain areas, so investment distribution becomes uneven. Investors tend to choose to invest their capital in areas that have better facilities, road infrastructure, and education compared to areas that are still underdeveloped.

However, this depends on equality, investment could reduce development inequality if domestic investment and foreign investment can be spread evenly, especially in underdeveloped areas. Along with increasing investment, especially domestic investment, in theory, it can reduce development inequality. Apart from investment, the Human Development Index is also an important thing to pay attention to because the Human Development Index is an indicator of community welfare as an effort to reduce development inequality in a region. Based on existing theory, the variables explained above, such as government spending and its components, local revenue, investment and its components, and the human development index, influence development inequality. However, are these variables able to reduce development inequality or worsen development inequality in Jambi province? Based on the background above, the author is interested in examining further the influence of the variables described above, especially government spending, which in this study uses direct spending, local revenue, and investment, which in this study uses domestic investment and indices. human development towards development inequality in Jambi Province.

2.0 LITERATURE REVIEW

Development Inequality

According to Sjafrizal (2014), development inequality between various regions is a phenomenon that often occurs, which is caused by differences in resources and the initial time of development implementation between these regions.

Direct Shopping

According to (Juliansyah et al., 2018), direct spending is part of government spending, which is also known as government spending, which is one of the instruments in fiscal policy. Government spending includes all purchases or payments for goods and services needed by the state, such as purchasing military equipment and government office supplies, building infrastructure such as roads and dams, paying salaries to civil servants, and various other needs. Government spending reflects the policies taken by the government in regulating the use of the state budget.

Locally generated revenue

Regional Original Income is a source of financial revenue originating from economic potential and activities in the region, where the management and collection are entirely the responsibility of the local regional government. In the context of regional autonomy, developing Original Regional Income is a priority because a region's ability to generate its income indicates its level of independence in financing local development. The growth of Regional Original Income is greatly influenced by the economic progress of a region, which is reflected in the growth of Gross Regional Domestic Product, because the greater the Gross Regional Domestic Product, the higher the contribution of taxes, levies, and the possibility of developing Regional Owned Enterprises which can provide additional contributions. on Regional Original Income (Tan, 2013).

Domestic investment

Domestic investment is part of investment which is one of the elements forming national output or Gross Domestic Product (GDP). In this context, investment has an important impact on economic growth. To overcome economic backwardness, a country needs sufficient financial resources or capital to support the development needed to catch up (Utomo, 2017).

Human Development Index

According to the United Nations Development Program (UNDP), human development highlights the importance of expanding options for people to live lives of freedom and dignity. The concept of human development is different from the classical development concept which mainly focuses on economic growth. To achieve the goals of the human development concept, four main aspects need to be considered. In summary, these four aspects include the principles of productivity, equity, sustainability, and empowerment.

3.0 METHODOLOGY

The data analysis method used is quantitative descriptive analysis with multiple linear regression analysis tools, which is an analysis model used to evaluate the influence of several independent variables on one dependent variable. It involves more than one independent variable and can be applied to both time series data and cross-section data.

The following is the multiple linear regression equation in research, as follows:

$$KP_t = \beta_0 + \beta_1 BL_t + \beta_2 PAD_t + \beta_3 PMDN_t + \beta_4 IPM_t + \varepsilon_t \dots \dots \dots (3.2)$$

Dimana:

- K_{pt} = Development Inequality of Jambi Province (Index)
- β₀ = Constant
- BL_t = Direct Shopping (Rupiah)
- PAD_t = Original Regional Income (Rupiah)
- PMDN_t = Domestic Investment (Rupiah)
- IPM_t = Human Development Index (HDI) (Index)
- β₁, β₂ and β₃ = Regression coefficients
- ε_t = Nuisance variable
- t = 1,2, 3..., refers to time series data (a certain period)

Proposing a hypothesis is a branch of inferential statistics that is used to statistically assess the truth of a statement and draw conclusions about whether the statement should be accepted or rejected. The purpose of hypothesis testing is to provide a framework that allows data collection to determine whether the truth of the statement or assumption can be accepted or rejected. Apart from that, hypothesis testing also provides objective confidence in the decision-making process. Hypothesis testing includes multiple coefficients of determination (R²), joint test (F-test), and partial test (t-test).

4.0 FINDINGS AND DISCUSSION

The research model estimation process was carried out based on the model equation system that has been developed, concerning the proposed model, to assess the impact of the variables Direct Expenditure, Domestic Investment, Regional Original Income, and Human Development Index on Development Inequality in Jambi Province from 2002 to 2022. This process involves processing data that is regressed using a multiple regression analysis model. The empirical model estimation results are obtained from calculations documented in Table 1.1:

Table 1.1 Regression Calculation Results

Table A1: Regression Calculation Result				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	1.890675	0.229964	8.221615	0.0000
BL	7.18E-08	2.80E-08	2.560457	0.0210 **
PAD	-8.92E-08	2.72E-08	-3.278357	0.0047 *
PMDN	-1.74E-09	8.67E-10	-2.004678	0.0622 ***
IPM	-0.020437	0.003284	-6.222436	0.0000 *
R-squared	0.795103	Prob(F-statistic)		0.000023
F-statistic	15.52199	Level Significant: * 0,01 ** 0,05 *** 0,10		

Source: Secondary Data (Processed)

Based on Table 1.1 above, the results of the multiple regression equation model are obtained as follows:

$$KP_t = 1.890675 + 0.0000000718 BL_t - 0.00000000892 PAD_t - 0.000000174 PMDN_t - 0.0204367584737 IPM_t$$

The analysis results show that a constant value of 1.8906751 indicates that without the presence of variables such as Direct Expenditures, Original Regional Income, Domestic Investment, and Human Development Index, the level of Development Inequality could increase by 1.8906751. In other words, even without the involvement of these variables, the level of development inequality will still exist. The Direct Expenditure coefficient value of 7.18E-08 indicates that an increase in Direct Expenditure of 1 million rupiahs will increase/worsening of Development Inequality by 0.0000000718. The significant t of 0.0210 is smaller than 0.05, indicating a significant influence. This means that there is a significant and positive influence between direct spending on development inequality. The coefficient value obtained for Original Regional Income, which is -8.92E-08, shows that if there is an increase in Original Regional Income of 1 million rupiah, it will reduce development inequality by 0.0000000892. The significant t of 0.0047 is smaller than 0.01 indicating a significant effect. This means that local original income has a significant and negative influence on development inequality. The coefficient value for Domestic Investment is -1.74E-09, indicating that if there is an increase in Domestic Investment by 1 million rupiahs, it will reduce development inequality by 0.000000174. A significant t of 0.0622 or smaller than 0.10 indicates a significant effect. This means that there is a significant and negative influence of domestic investment on development inequality. The Human Development Index coefficient value is -0.02043, indicating that an increase in the Human Development Index by 1 index can reduce development inequality by 0.02043, with a significant t value of 0.0000 which is smaller than 0.05 indicating a significant and negative influence. human development index on development inequality.

F Statistical Test

The F-Statistics test is used to determine whether the independent variables have a significant effect on the dependent variable. This process involves comparison with a significance level, which is generally set at $\alpha = 0.05$ or 5 percent. If the significance level obtained is smaller than $\alpha = 0.05$, then the null hypothesis (H_0) is rejected and the alternative hypothesis (H_a) is accepted, indicating that the independent variables have a significant influence on the dependent variable. Conversely, if the significance level is greater than $\alpha = 0.05$, then H_0 is accepted and H_a is rejected, which means that the independent variable does not have a significant influence on the dependent variable. The results of multiple linear regression, which are used to test the F statistic, can be seen in Table 1.2 below:

Table 1.2 F-Statistics Regression Results

R-squared	0.795103	Prob(F-statistic)	0.000023
F-statistic	15.52199	$\alpha = *0,01 \quad ** 0,05 \quad *** 0,10$	

Source: Secondary Data (Processed)

Based on the data listed in Table 1.2, the calculated F value is 15.52199 with a probability of 0.000023, or smaller than the significance value $\alpha = 0.05$. With this probability value ($0.000023 < 0.05$), the null hypothesis (H_0) is rejected, and the alternative hypothesis (H_a) is accepted at a 95 percent confidence level. Therefore, it can be concluded that the variables Direct Expenditure, Original Regional Income, Domestic Investment, and Human Development Index have a significant influence on development inequality in Jambi Province. This is strongly and significantly proven based on the results of the analysis carried out.

Statistical Test t

This test aims to evaluate the impact of each independent variable on the dependent variable individually. This testing process involves comparing the t-calculated probability values with the significance level α at the 1%, 5%, and 10% levels. The test criteria used are if the t-calculated probability value is greater than α , then the null hypothesis (H_0) is accepted, which indicates that partially the independent variable does not have a significant influence on the dependent variable. Conversely, if the t-calculated probability value is smaller than α , then H_0 is rejected, indicating that partially the independent variable has a significant influence on the dependent variable. The results of the t-statistical regression test can be found in Table 1.3 below:

Table 1.3 Regression Results of the t Statistical Test

Variable	Coefficient	Std. Error	t-Statistic	Prob.
BL	7.18E-08	2.80E-08	2.560457	0.0210 **
PAD	-8.92E-08	2.72E-08	-3.278357	0.0047 *
PMDN	-1.74E-09	8.67E-10	-2.004678	0.0622 ***
IPM	-0.020437	0.003284	-6.222436	0.0000 *
Level Significant:	*1%	** 5%	*** 10%	

Source: Secondary Data (Processed)

Government Expenditure Variables

The test results show that the regression coefficient for the Direct Shopping variable has a calculated t-value of 2.5604 with a probability of 0.0210, which is lower than the significance level $\alpha = 0.05$ ($0.0210 < 0.05$). Therefore, the null hypothesis (H0) is rejected, and the alternative hypothesis (Ha) is accepted. From these results, it can be concluded that the Direct Expenditure variable individually has a significant influence on development inequality in Jambi Province.

Regional Original Income Variable

The test results show that the regression coefficient for the Regional Original Income variable has a calculated t-value of -3.2783 with a probability of 0.0047, which is lower than the significance level of $\alpha = 0.01$ ($0.0047 < 0.01$). Therefore, the null hypothesis (H0) is rejected, and the alternative hypothesis (Ha) is accepted. From these results, it can be concluded that the individual Regional Original Income variable has a significant influence on development inequality in Jambi Province.

Domestic Investment Variables

The test results show that the regression coefficient for the Domestic Investment variable has a calculated t value of -2.0046 with a probability of 0.0622, which is smaller than the significance level $\alpha = 0.10$ ($0.0622 < 0.10$). Therefore, the null hypothesis (H0) is rejected, and the alternative hypothesis (Ha) is accepted. From these results, it can be concluded that the Domestic Investment variable individually has a significant effect on development inequality in Jambi Province.

Human Development Index Variable

The test results show that the regression coefficient for the human development index variable has a calculated t-value of -6.2224 with a probability of 0.0000, which is smaller than the significance level $\alpha = 0.01$ ($0.0000 < 0.01$). Therefore, the null hypothesis (H0) is rejected, and the alternative hypothesis (Ha) is accepted. From these results, it can be concluded that the individual human development index variable has a significant influence on development inequality in Jambi Province.

Coefficient of Determination

The coefficient of determination is a value that shows the extent to which the independent variable influences the dependent variable, expressed as a percentage. The R2-Square value from the regression results can be seen in Table 1.4 below:

Table 1.4 R2-Square Regression Results

R-squared	0.795103	$\alpha =$ *1% ** 5% *** 10%
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Source: Secondary Data (Processed)

From Table 1.4, estimation results were obtained with an R-squared value of 0.7951. This figure indicates that the independent variables, such as Direct Expenditures, Original Regional Income, Domestic Investment, and Human

Development Index have an impact on development inequality in Jambi Province by 79.51 percent simultaneously. The remaining 20.49 percent may be influenced by other variables not included in the model used.

Research Implications

Based on the conditions of development inequality in Jambi province, the data processing results show that the direct expenditure variable has a positive and significant effect on regional development inequality. Direct spending is considered capable of reducing development inequality, but in some cases, it increases inequality, this is due to several factors, one of which is related to the allocation of direct spending, it would be better if more government spending were allocated to something public in nature such as improving facilities and infrastructure. in the form of repairs to roads, health buildings, educational buildings, and others.

Close collaboration is needed between the central and regional governments in regulating direct expenditure policies, especially in terms of capital expenditure. In addition, the government, through the Ministry of Finance, can implement a direct spending policy through a village fund scheme which can be directed to support direct spending that focuses on local needs in areas where infrastructure is still inadequate. This situation needs to be anticipated by the government in the future, considering that we are entering a development phase which, according to Kuznets' theory, can increase inequality in the early stages, but is expected to decrease in the next phase. The government is expected to increase every resident's access to sectors that can encourage development, with the hope of reducing this inequality.

Improving infrastructure will influence investor interest, which in turn will increase investment and accelerate development, thereby helping to overcome inequality. This shows that wise government spending, especially productive spending, can drive the economy and spread development evenly, reducing regional inequality in Jambi Province. The results of data analysis in this study show that Regional Original Income has a significant influence in a negative direction. This means that increasing Original Regional Income can reduce or improve inequality in Jambi Province. When a region can manage its revenue resources effectively, the region will become more attractive to investors and receive more attention from the government in terms of development, thereby improving regional inequality.

Apart from that, data analysis also shows that the investment variable has a negative and significant influence on regional development inequality. This negative relationship between Domestic Investment and development inequality is under Myrdal's concept of the backwash effect, which emphasizes that the negative impact of economic growth tends to be stronger than the impact of equal distribution. Therefore, the movement of capital and the desire to seek more profits will encourage growth that is concentrated only in areas with high-profit prospects. This shows that large or proportional domestic investment will encourage economic growth in each region, including Jambi Province, and improve regional inequality.

Furthermore, the human development index variable also has a negative and significant influence on regional development inequality. This shows that the quality of Human Resources, as reflected in the Human Development Index, has a significant impact. To overcome this, it can be done by encouraging the improvement of real sectors that primarily benefit the lower middle class, such as Micro, Small, and Medium Enterprises, which are by regional characteristics. In addition, economic infrastructure development in underdeveloped areas must be strengthened, while improving the quality of human resources through training and education. In this way, there will be equality and a reduction in development inequality in Jambi Province.

From the description that has been presented, the implications that can be obtained are as follows: (1) Development inequality in Jambi province is influenced by direct expenditure, local original income, domestic investment and the human development index; (2) The allocation of direct spending needs to be improved so that direct spending can contribute to efforts to reduce development inequality by allocating more spending funds to things that can be enjoyed generally or by the public; (3) Implementation of the principle of Regional Autonomy allows regional governments to make their own decisions in formulating policies that suit their regional needs. This allows various community aspirations and initiatives to be explored and utilized more optimally to develop local potential; (4) The role of the Government is very necessary to overcome development inequality in Jambi province by making efforts to encourage the improvement of the real sector aimed especially at the lower middle-class community such as skills training such as Micro, Small and Medium Enterprises which have potential by regional characteristics so that this can be achieved. advancing underdeveloped areas to encourage equitable development.

5.0 CONCLUSION

Direct expenditure, local original income, domestic investment, and the human development index have a significant influence on development inequality in Jambi province in the period 2002 to 2022. The government must be able to divide

the distribution of direct expenditure wisely, especially for very poor regions. The condition of the infrastructure is serious and must be repaired immediately so that every community can feel the benefits of the taxes they have paid.

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