

Economy And Welfare as Local Government Performance During Election Period

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Abstract— *One of study in Public Management was government performance, and this research conduct to measure local government performance especially during the election period. Performance measurement uses a performance score based on Indonesian Ministry of Home Affairs. The aim is to analyze the economy and welfare on performance during the 2016 Mayor/Regent election period. This study used a sample of 174 cities and regencies in Indonesia during the 2016 election period. The research method is regression based on panel data. The dependent variable is Government Performance and independent variables are the economy (GDP) and the population's welfare. The control variables use total assets and legislative measures. The study results are welfare had significant effect on region performance, economy has no effect on performance. These results explain a change in the leader, either the Mayor/Regent, so that performance measurement provides better effectiveness during the election. The research contribution explains that there is an increase in welfare when the election occurs, reinforced by the interest to win the election to create a good image for the Mayor / Regent to be re-elected.*

Keywords: City, Elections, Government Performance, Public Management.

1. INTRODUCTION

Managing the government can be measured based on the performance of public officials regarding organizational achievements that reflected in inputs, outputs, procedures [3]. Effective performance of government can shape effective financial management and strategies in public sector policies [2]. In combination with the market, performance management is considered a major topic in the public management literature and practice. Performance management instruments have been implemented in public administration at various levels, as a consequence of the New Public Management (NPM). Performance is one type of effective measurement in government. Performance measurement is the basis for assessing the success of a program and an organization. Taplin (2015) who conducted research on political competition and reporting on local government in New Zealand explained that the number of local governments in New Zealand reported voluntarily regarding disclosure. Therefore, Political competition was related to agency theory to minimize agency costs [21].

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In Accounting Management research has been extensively abroad using different measures and regulations in each country. Previous abroad research that discusses the performance managerial in Czech Republic public sector institutions, as a result that situation in less developed (post-transition) countries is different from that of developed countries. This study discusses the effectiveness of public performance and relationship between society, government organizations, performance, organizations in developed countries [5]. The existence of performance of government is considered a major topic in the public sector management literature and practice. There is still limited research that discusses the economic impact and general elections related to the role of local governments in creating effective economic activities and community welfare. An effective local government is a government that can manage regional finances and regulate their activities optimally, so that transparency is maximized and avoids agency theory. Economic and political developments in Indonesia are related to performance [1].

General elections are one of the manifestations of citizen aspirations, Landscape & Ochat research (2017) research in Switzerland explaining problems in local governments because of election, namely solving economic problems such as utilizing existing services, utilizing economies of scale, utilizing professional competence. Effective political conditions can be a picture for the future performance of government. The changes in voters during elections, the bureaucracy that occur in local government are the main factors influencing effective election [11]. The role of politics is also discussed by Cuadrado-ballesteros and Martı (2013), they find that sustainability of social information in local government in Spain tend to be negative because of media pressure [4]. The existence of party control that holds the rules in the government will affect the party's future decisions [4] and Kaur & Lodhia find that accounting processes, sustainability reports, performance measurement gives a significant influence that politics plays a role in the implementation of activities in the Regional Government [10].

This research was developed from Garcia's (2010) research in Flemish based on organization, characteristics and politics which are variables in determining government performance effectiveness [6]. Economic development is based on GDP, education, size, gender, and political constraints. There is a difference from previous research, namely adding an election period to measure performance during the general election. This study aims to show how political factors are related to the financial performance of the public sector. The role of politics is also discussed by KalLab and Terra (2020) regarding the performance based on the existing economy in France, in particular the impact of exports and imports which are influenced by political decisions in the government. The contributions of this study include (1) providing quantitative evidence regarding the relationship between the economy and people's welfare during the election period, (2) measuring overall performance during the election period [9].

This study conducted in Indonesia based on performance measurements by adjusting Garcia finding in effectiveness local government performance [6]. Local research in Indonesia is also discussed by Nugraheni (2012) who states that regional finance, especially capital expenditures made by local governments will develop the local economy as long as it is in accordance with development priorities, such as infrastructure facilities [15]. Anita and Badrudin (2017) researched financial performance, audit opinion and public welfare, the result is that financial performance has a significant positive influence on government audit opinion [1]. Hamid (2018) also examined the financial performance of the local government and the level of community welfare in Majalengka, the results provide evidence that there is an influence of regional performance on per capita income in the Majalengka [8].

Based on the discussion, this research will examine the economy, welfare on performance in local governments in Indonesia during elections. The dependent variable

is performance based on performance scores that state by the Indonesian Ministry of Home Affairs. The independent variable is based on the Local Government Financial Report (LKPD). Furthermore, measuring the independent variable, namely Welfare was measured by the percentage of poor people from BPS. The economy was taken from GDP data. The control variable was Total Assets obtained from the Regional Government Financial Statements and the number of legislative members obtained from the “jariungu” election data.

2. THEORITICAL REVIEW

Performance

Swadewi (2014) explains that the performance of local governments must be effective to determine the potential of the region. Financial realization is the economic potential of local government. The financing of development activities is based on funds managed by the APBD realization report [19].

Economy

One of the most important measurements in the economy is Gross Domestic Product (GDP). High GDP is one of the factors that need macroeconomics as a measure of the good of the economy (Gregory, 2007) [7]. Economic measurements are the main factors in existing activities as government evaluations to improve government quality.

Unwealthy

Wirawan and Arka (2015) discuss Bali, that the Balinese have good economic development, including the existence of poor people. Almost all cities and districts have high unemployment and poor population problems [22].

Total Size (Assets)

Assets are usually contained in the LKPD as the number of resources that exist in government activities and measurements in government performance. Nugroho (2018) discusses that the existence of total assets has a positive effect on performance in East Java, namely the size of the area seen by the size of total assets, indicating as high performance [14].

Legislative Size

The measurement performance of government in Java by Sesotyaningtyas (2012) was examined by the legislative and tax. The results explain that the number of DPRD members, tax income has a positive effect on performance based on the efficiency ratio [18].

Determinant of Government Performance

Previous research by Ledhem and Mekidiche (2020) regarding the economy and performance in Islamic banks gives the result that the factor that influences performance is Return on Equity (ROE) [13]. These results explain that performance influences economic growth, especially regarding finance. Another research, conducted by Ranjan and Das (2014), shows that there is an influence on the environment, stakeholders in determining the company's strategy. The existence of changes in performance and the economy must be measured by considering the existing risks and efficiency [16].

Razzak and Jassem (2019) discussed family firms and performance. The existence of limitations between welfare (unwealthy) has no effect on performance in activities in the company. Based on Fryer et al. (2009) explained that in the public sector, it is necessary to improve performance and transparency in public sector activities. There is a need for

structural changes, organizational changes can affect the performance of the government sector, especially when there is a change/shift in leadership positions in the regions [17].

Research considers unwealthy, economy, asset and legislative Size was influencing district/city government Performance. In addition, the formula designed for this research was:

$$PFit = UWit + ECOit + TSit + LGit \quad (1)$$

PF = district/city government Performance.

UW= Unwealthy (percentage of poor citizen in district/city).

ECO= Economy (GDP form PDRP).

TS= Total district/city Asset from Local Government Financial Report.

LG= Legislative Size from the “jariungu” election data.

3. RESEARCH METHODS

Research methods use quantitative approach with regression method by using Stata. The data of this research consists of cities/districts that held general elections for mayors/regents in 2016. The observations taken were 174 cities/districts in Indonesia. Data collection was secondary data. Performance data was obtained from the Indonesian Ministry of Home Affairs. Welfare was measured by the percentage of poor people from BPS. The economy was taken from GDP data, Total Assets was obtained from the Regional Government Financial Reports, the number of legislative members was obtained from the “Jariungu” election data.

4. RESULTS AND DISCUSSION

Table 1. Descriptive Statistics

Variable	Obs	Mean	Std. Dev
pf	174	3.007177	.2989728
uw	174	12.29109	6.966926
eco	174	26.90311	91.49164
ts	174	1.991641	1.49597
lg	174	34.62069	10.11637

Source: Proceeds Data – Stata (2022)

Table 1 describes the descriptive statistics of this study. The number of observations for 1 year (2016) is 174. The highest average research mean is lg (legislative) of 34,62069, while the smallest is ts (total size) of 1.991641. This explains that the highest data for the legislature is the number of legislative councils, which is an average of 34 people, while the lowest data for total assets is obtained from the score (ln = natural logarithm).

Table 2. VIF

Variable	VIF
ts	4.12
Lg	2.51
eco	2.26
uw	1.25
Mean VIF	2.54

Source 3. Proceeds Data – Stata (2022)

Table 2 describes VIF in the form of performance. The variable with the highest VIF is *ts* (total asset) of 4.12 and the lowest is *uw* (percentage of the poor citizen) of 1.25. The average score is 2.54. The results explain that this study is free of multicollinearity (value <10) and fulfills the BLUE assumption so that quantitative data is feasible to measure.

Table 3. Regression Results

Variable	Coef.	Std.Err	t	P>t	Hyp.
eco	-.0002013	.0003106	-0.65	0.518	Rejected
uw	-.010049	.0030255	-3.32	0.001	Approved
ts	.0503278	.0503278	1.96	0.051	
lg	.0079561	.0029579	2.69	0.008	
cons	2.760428	.084237	32.77	0.000	

Source: Proceeds Data – Stata (2022)

The results of this study prove that the economy had no significant effect on existing district / city performance. This result is evidenced by the score > 0.518. This result is the same as before that the greater the economic activity of a region does not have a real impact on the community, especially during elections, for example in decision making, the economy continues to run as usual. This is different from Larsys and Dowley (2021) that the role of finance is influential in local government. Weaker financial efficiency affects the effectiveness that affects performance, namely financial transparency [12]. Larger financial managers in the City do not guarantee transparency. This is in line with previous studies of other recent studies (Tavares and Da Cruz, 2020) [20]. This previous result, Garca (2010) explained that financial variables such as fiscal in local governments have no effect in determining the transparency index score [6]. These results explain that during elections, not all aspects can have an effect. Elections in Indonesia which are held every 5 years are only benchmark in changing positions in the government.

Unwealthy had significant influence on performance. The welfare of the community does not only depend on aspects of government performance, but also on improving the welfare of a community during the election period. The focus on people's welfare is increasing during the election because the prospective leaders are trying to improve their image in society, especially leaders who are running for re-election (*petahana*).

5. CONCLUSIONS

This study was about public management that explains local government performance in Indonesia during election period and which variables affect it. The economy had no significant effect on performance, these results provide evidence that increasing economic activity in a region does not have a real impact, especially on economic development. Meanwhile, welfare had significant influence on local government performance during the election period, explains that people's welfare is not only related to aspects of government performance, especially in the election period. The concern for the welfare of the community is increasing during the election because the prospective leaders are trying to improve their image in the community, especially leaders who run for re-nomination. The limitations of the study include 1). having a limited sample of 174 cities/districts that are currently conducting elections, 2). the time period used was 1 year, namely 2016. Suggestions for further research can develop each province and compare it with other election periods so that the research results can be compared.

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