

Fiscal Inequality Analysis in the Province of Aceh (Year 2010-2019)

Vina Ananda^{1*}, Arina Jannati Alfina²
Universitas Samudra

Corresponding Author: Vina Ananda vinaananda1107@gmail.com

ARTICLE INFO

Keywords: Fiscal Inequality,
GRDP, Williams Index

Received : 04, March

Revised : 12, April

Accepted: 10, May

©2023 Ananda, Alfina: This is an open-access article distributed under the terms of the [Creative Commons Attribution 4.0 International](https://creativecommons.org/licenses/by/4.0/).



ABSTRACT

This study aims to determine the level of fiscal inequality in districts in Aceh Province and the causes of fiscal inequality in districts in Aceh Province. The data used in this study is time series data in the form of data on the population and GRDP of districts and cities in Aceh Province. The data analysis method used in this research is descriptive qualitative analysis to describe the level of inequality in Aceh province based on the Williams Index. From the data analysis, it is known that for the 2016–2020 period, the district or city that has the lowest inequality is Aceh Besar, where the average Williamson Index is 0.3048. Since the 2016–2020 period, the district or city that has had the highest level of inequality is the Pidie district, where the average Williamson Index is 0.5511. Overall, the lowest fiscal inequality in Aceh Province occurred in 2018, where the Aceh Williamson Index in 2013 was 0.3279. Overall, the highest fiscal inequality in Aceh Province occurred in 2017, when the Aceh Williamson Index was 0.4338.

INTRODUCTION

Income inequality is a classic and serious economic problem being faced by developing countries. Seeing this phenomenon, the World Bank created the Sustainable Development Goals (SDGs) program in 2015 which focused on 17 points. The tenth point of the Sustainable Development Goals (SDGs) is reducing inequality. The dimensions of inequality according to Atkinson (in Infid 2016) consist of inequality between who and what, as well as vertical inequality, namely income inequality and horizontal inequality in the form of ethnicity, skin color, and gender inequality.

These three dimensions are contained in the seven targets in Goal Number 10, plus three ways to achieve them: 1) provide a different approach for developing countries, especially Least Develop Countries (LDCs) in the World Trade Agreement (WTO); 2) encouraging Official Development Assistance (ODA) including Foreign Direct Investment (FDI) to countries that need it the most, especially LDCs; and 3) reducing the cost of remittances by up to three percent by 2030. All of these are contained in the SDGs, so Goal Number 10 is the end result of other goals, in line with Atkinson's discussion of the dimensions of inequality. The reality that is happening in the world along with the high rate of inequality includes (Siti Khoirun Ni'mah et al, 2016):

1. The vast majority of households in developing countries – more than 75 percent of the population – currently live in societies where income is more unequal than in the 1990s.
2. Evidence suggests that, beyond a certain threshold, inequality is detrimental to poverty reduction and growth, the quality of public and political relations and individual fulfillment and self-esteem.
3. The fact that several countries have managed to contain or reduce income inequality while achieving strong growth performance.
4. Income inequality cannot be effectively addressed unless it also addresses inequality in opportunity.
5. Evidence from developing countries suggests that children from the poorest 20 percent of the population are three times more likely to die before[they are five than children in the richest quintile.

Social protection has been significantly expanded globally, but compared to average, people with disabilities are five times more likely to incur health costs due to disasters. In Indonesia, inequality is quite high. By most measures, inequality in Indonesia is already high. In 2002, the richest 10 percent of Indonesians consumed as much as the poorest 42 percent of the total, while in 2014 they consumed as much as the poorest 54 percent (World Bank, 2016). Fiscal autonomy and decentralization are not new concepts in Indonesia. The implementation of fiscal decentralization basically has the aim of increasing economic growth and increasing regional income. However, the implementation of fiscal decentralization gave rise to a phenomenon in which there were many cases in its implementation, namely the achievement of the

two goals did not go hand in hand. The consequences affect the emergence of inequality as well as the outcome.

Even though inequality itself is something that always exists in the development process, especially in the early stages of development, widening inequality must be avoided. Widening inequality will give rise to dissatisfaction which, if it continues to accumulate, can lead to anxiety which can lead to various kinds of conflict. Conflicts can occur between communities, between regions, or communities and the government or between the Central Government and Regional Governments. The phenomenon of economic inequality in Aceh Province is not as complex as at the national level, but this issue can be taken into consideration in regional development, so that it can be suppressed. Where the economy of Aceh Province so far has depended more on the agricultural sector. Analysis of regional development requires two things, namely absolute growth which shows the ability of potential resources in the region and relative growth between regions which can be used to interpret regional inequality and the possibility of convergence in the growth rate or average.

LITERATURE REVIEW

1. Literature study, namely the method of collecting data by conducting library research, namely by studying reading materials related to research to get the input needed.
2. Documentation, namely the method of collecting data using data that has been documented by related parties, in this case government agencies that publish the data needed by researchers.
3. Data analysis method, the inequality criterion can be explained by an index between 0 and 1 where the number 0 indicates perfect equality of income between regions, while the number 1 indicates imperfect income inequality between regions, where one region has high income while other regions have low income.

METHODOLOGY

This research is a concentration of public economics that examines the inequality of fiscal decentralization in Aceh Province. This research is a qualitative descriptive analysis research in which the analysis carried out is an analysis of related data and describes it comprehensively.

THE RESULT

From the data analysis it is known that from the 2016-2020 period the district/city that has the lowest inequality is Aceh Besar where the average Williamson Index is 0.3048. Since the 2016-2020 period the district/city that has the highest level of inequality is the Pidie district where the average Williamson Index is 0.5511. Overall, the lowest fiscal inequality in Aceh Province occurred in 2018 where the Aceh Williamson Index in

2013 was 0.3279. Overall, the highest fiscal inequality in Aceh Province occurred in 2017 where the Aceh Williamson Index in 2017 was 0.4338.

1. Literature Study, namely the method of collecting data by conducting library research, namely by studying reading materials related to research to get the input needed.
2. Documentation, namely the method of collecting data using data that has been documented by related parties, in this case government agencies that publish the data needed by researchers.

DISCUSSION

Social protection has been significantly expanded globally, but compared to average, people with disabilities are five times more likely to incur health costs due to disasters. In Indonesia, inequality is quite high. By most measures, inequality in Indonesia is already high. In 2002, the richest 10 percent of Indonesians consumed as much as the poorest 42 percent of the total, while in 2014 they consumed as much as the poorest 54 percent (World Bank, 2016). Fiscal autonomy and decentralization are not new concepts in Indonesia. The implementation of fiscal decentralization basically has the aim of increasing economic growth and increasing regional income. However, the implementation of fiscal decentralization gave rise to a phenomenon in which there were many cases in its implementation, namely the achievement of the two goals did not go hand in hand. The consequences affect the emergence of inequality as well as the outcome.

Even though inequality itself is something that always exists in the development process, especially in the early stages of development, widening inequality must be avoided. Widening inequality will give rise to dissatisfaction which, if it continues to accumulate, can lead to anxiety which can lead to various kinds of conflict. Conflicts can occur between communities, between regions, or communities and the government or between the Central Government and Regional Governments. The phenomenon of economic inequality in Aceh Province is not as complex as at the national level, but this issue can be taken into consideration in regional development, so that it can be suppressed. Where the economy of Aceh Province so far has depended more on the agricultural sector. Analysis of regional development requires two things, namely absolute growth which shows the ability of potential resources in the region and relative growth between regions which can be used to interpret regional inequality and the possibility of convergence in the growth rate or average.

Since the 2016-2020 period the district/city that has the highest level of inequality is the Pidie district where the average Williamson Index is 0.5511. Overall, the lowest fiscal inequality in Aceh Province occurred in 2018 where the Aceh Williamson Index in 2013 was 0.3279. Overall, the highest fiscal inequality in Aceh Province occurred in 2017 where the Aceh Williamson Index in 2017 was 0.4338. Income inequality is a classic and

serious economic problem being faced by developing countries. Seeing this phenomenon, the World Bank created. Income inequality is a classic and serious economic problem being faced by developing countries. Seeing this phenomenon, the World Bank created the Sustainable Development Goals (SDGs) program in 2015 which focused on 10 points. The tenth point of the Sustainable Development Goals (SDGs) is reducing inequality. The dimensions of inequality according to Atkinson (in Infid 2016) consist of inequality between who and what, as well as vertical inequality, namely income inequality and horizontal inequality in the form of ethnicity, skin color, and gender inequality.

CONCLUSIONS AND RECOMMENDATIONS

This study aims to determine whether the level of fiscal inequality in districts in Aceh Province and the causes of fiscal inequality in districts in Aceh Province. The data used in this study is time series data in the form of data on the number of population and GRDP of districts/cities in Aceh Province. The data analysis method used in this research is descriptive qualitative analysis to describe the level of inequality in Aceh province based on the Williams Index. From the data analysis it is known that from the 2016-2020 period the district/city that has the lowest inequality is Aceh Besar where the average Williamson Index is 0.3048. Since the 2016-2020 period the district/city that has the highest level of inequality is the Pidie district where the average Williamson Index is 0.5511. Overall, the lowest fiscal inequality in Aceh Province occurred in 2018 where the Aceh Williamson Index in 2013 was 0.3279. Overall, the highest fiscal inequality in Aceh Province occurred in 2017 where the Aceh Williamson Index in 2017 was 0.4338.

ADVANCED RESEARCH

The implementation of fiscal decentralization basically has the aim of increasing economic growth and increasing regional income. However, the implementation of fiscal decentralization gave rise to a phenomenon in which there were many cases in its implementation, namely the achievement of the two goals did not go hand in hand. The consequences affect the emergence of inequality as well as the outcome. Even though inequality itself is something that always exists in the development process, especially in the early stages of development, widening inequality must be avoided. Widening inequality will give rise to dissatisfaction which, if it continues to accumulate, can lead to anxiety which can lead to various kinds of conflict.

REFERENCES

- Abdullah. Shukri. 2010. Interest About Fiscal Decentralization. Jakarta: Erlangga.
- Ahmad Yani. 2009. Financial Relations between Central and Regional Governments in Indonesia. Jakarta: Raja Grafindo Persada.
- Basakaran. 2006. Fiscal Decentralization in Developing Countries. Jakarta: Gramedia Pustaka Utama.
- Khusaini, Mohammad. 2006. Public Economics, Fiscal Decentralization and Regional Development. Jakarta: Raja Grafindo Persada.
- Kuncoro, Mudrajat. 2005. Autonomy and Regional Development. Jakarta: Erlangga.
- Blue. 2013. Analysis of Vertical and Horizontal Fiscal Imbalances in East Java for the 2007-2012 Period (Case Study of 38 Districts/Cities). Journal of Development Economics. Vol 1. Pgs 1-16.
- Mardiasmo. 2009. Fiscal Decentralization Policy in the Reform Era. Jakarta: Salemba Empat.
- Rashid, M Ryaas. 2006. Regional Autonomy in a Unitary State. Yogyakarta: Learning Library. Republic of Indonesia.
- Law no. 32 of 2004 concerning Regional Government.
- Saragih, Juli Panglima. 2008. Fiscal Decentralization and Regional Finance in Autonomy. Jakarta: Ghalia Indonesia
- Sriningsih, Siti. 2013. Post-Regional Autonomy Fiscal Inequality Analysis. Journal of Development Economics. Vol 2. Pgs 1-11.
- Sriyan, Nur. 2010. Interregional Fiscal Disparities in Central Java Province. Journal of Development Economics. Vol 1. Pg 1-15.
- Widjaja, HAW. 2006. Regional Autonomy and Autonomous Regions. Jakarta: Raja Grafindo Persada.