

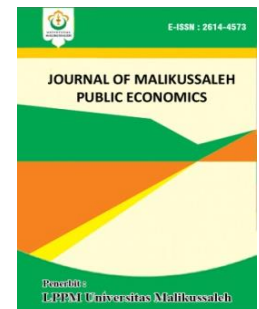
# THE EFFECT OF EQUALIZATION FUNDS, UNEMPLOYMENT AND POVERTY ON ECONOMIC GROWTH IN BIREUEN REGENCY

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## ARTICLE INFORMATION

## ABSTRACT

**Keywords :** *Balance Fund, Unemployment, Poverty, Economic Growth*

*This study aims to determine the effect of equalization funds, unemployment and poverty on economic growth in Bireuen Regency. The data used in this study is skunder data from 2008-2017 obtained from the Central Statistics Agency. The data analysis method used in this study is multiple linear regression. The results showed that partial equalization funds, unemployment and poverty did not have a significant effect on economic growth in Bireuen District. Simultaneously, equalization funds, unemployment and poverty also have no effect on economic growth in Bireuen County.*

## 1. INTRODUCTION

One of the goals of the Republic of Indonesia is to prosper the Indonesian people, namely by increasing the country's economic growth, because we can see that until now there are still many Indonesians whose economy has not improved. The economy is said to experience growth if the production of goods and services increases from the previous year to the next. Thus, economic growth can show the extent to which economic activity can generate additional income and people's welfare in a certain period (Haryani, 2017).

Economic growth is usually measured using Gross Regional Domestic Product (GRDP), which is basically the amount of added value generated by all business units in a particular region, or is the sum of the final value of goods and services produced by all economic units. The problem of economic growth can be viewed as a macroeconomic problem in the long run.

The development of the ability to produce goods and services as a result of the increase in production factors in general is not always followed by an equally large increase in the production of goods and services. gross domestic product (GDP) growth that reflects the amount of added value generated by all production activities in the economy (Susanti et al in Maryati and Endarawati, 2010).

Economic development is a multidimensional process that involves major changes in social structures, societal attitudes, and national institutions, such as the acceleration of economic growth, the reduction of inequality and the eradication of absolute poverty. High and sustainable economic growth is a key condition of necessity for the continuation of economic development and the improvement of prosperity. Because the number of people is increasing every year, which in itself the daily consumption needs are also increasing every year (Tambunan in Novriansyah, 2018).

Bireuen County is one of the districts that has enough potential to develop. This is because Bireuen Regency has many resources that can provide income to the community and the region. The income that is increasing in large amounts, the funds owned by the Bireuen Regency local government are getting higher and higher. This indicates that the increase in income has caused the ability of the region to finance capital expenditures to also increase. The Bireuen County Government is said to have good revenue if it is able to obtain revenues that exceed the budgeted amount and vice versa.

In addition to the large amount of regional revenues sourced from the balance fund. The problem that hinders the economic growth rate of a region is the increasing number of unemployed in

the area. The existence of unemployment is because the number of workers is not proportional to the number of jobs that exist or the low ability of an individual, and more labor is drawn from other regions, resulting in a greater number of unemployed. Unemployment is often a problem in Indonesia, including the Aceh region. The existence of unemployment will cause people's productivity and income to be reduced, which can lead to poverty and other social problems in Bireuen Regency.

The problem of unemployment is indeed very complex to discuss and is an important issue, because it can be related to several indicators. Economic indicators that affect the unemployment rate include the country's economic growth, inflation rate, poverty, and prevailing wage rates. If a country's economic growth increases, it is expected to have an effect on reducing the number of unemployed, this is followed by the level of wages. If the wage rate rises, it will have an effect on reducing the number of unemployed as well. Meanwhile, a high inflation rate will affect the increase in the number of unemployed (Sukirno in Novriansyah, 2018).

According to Mudjarad in Setiyawati and Hamzah (2007), there are three main problems that must be considered in measuring the development of a country or region, namely 1) What happens to the poverty level, 2) What happens to unemployment, and 3) What happens to inequality in various fields. The three main issues do not stand alone, but are interrelated with each other. The high level of poverty is due to the large number of unemployed which then has an impact on inequality in various fields. In other words, if one of the three things is disturbed or shaken, then the other two things also experience the impact.

Poverty has always been an economic development problem that requires serious attention from development actors in making policies. Economic development that pursues economic growth often faces a dilemmatic choice between progress of growth and poverty, rightfully placed as the center of objective in economic development. Placing poverty reduction as an economic development goal and ideal requires development strategies and economic policies that focus more on the poor (Bappeda Aceh in Eko and Zamzami, 2014). The following are the developments and problems in the Equalization Fund (in units of millions of rupiah), unemployment (in units of percent), Poverty (in units of percent) and Economic Growth (in units of percent) in Bireuen Regency.

**Table 1**  
**Development of the Equalization Fund,**  
**Unemployment, Poverty and Economic Growth**  
**in Bireuen District This Year**  
**2011-2012**

Year	Equalization Fund (Thousand Souls)	Unemployment (Soul)	Poverty (Soul)	Economic Growth (Percent)
2013	801.415.717.10	17.383	73.940	4.03
2014	866.656.552.086	17.237	72.220	2.15
2015	984.896.515.695	21.848	73.140	3.80
2016	1.120.470.574.800	21.848	70.440	4.04
2017	1.186.999.385.889	10.245	71.540	4.16

Source : *Bireuen District Statistics Agency (2023)*

Based on table 1 above, it can be seen that there was a phenomenon in 2014 where the balance fund of Rp 866,656,552,086 billion increased from the previous year of Rp 801,415,717,109 billion, supposedly with the increase in equalization funds can increase economic growth. However, what happened here was that economic growth actually decreased by 2.15%. Likewise, what happened with unemployment in the same year unemployment decreased should be that if unemployment decreased then economic growth would increase but the opposite happened. The same thing also happened in poverty conditions where in the same year poverty decreased from the previous year, but the decline was not followed by an increase in the rate of economic growth.

Then the next phenomenon occurred in 2015 where the unemployment and poverty rate increased from the previous year, namely unemployment increased from 17,237 people in 2014 then rose to 21,848 people in 2015, and poverty increased from 72,220 in 2014 then rose to 73,140 people in 2015. The increase in unemployment and poverty is actually followed by an increase in the pace of economic growth. This is in stark contrast to the theory that if there is an increase in unemployment and poverty, it will hinder the pace of economic growth.

The description of the data above and its explanation shows that there is a problem (phenomenon) that occurs, namely when the equalization fund increases, it causes a decrease in economic growth and when the condo where there is an increase in unemployment and poverty actually causes economic growth to also increase. This is a problem that needs to be researched. The above problems cause the need for a study entitled.

## 2. THEORETICAL FOUNDATIONS

### Economic Growth

According to Shumpeter in Novriansyah (2018), economic growth is an increase in output (national income) caused by natural changes in the level of population growth and the level of savings. Meanwhile, according to some development economics experts, economic growth is a term for developed countries to refer to the success of their development, while for developing countries, the term economic development is used.

Economic growth is the increase in people's overall income that occurs in the region, namely the increase in all added value that occurs. The calculation of the income of the territory is basically made in the prevailing price. However, in order to see the increase from one period of time to the next, it must be expressed in real value meaning that it is expressed in constant price. The prosperity of the region is not only determined by the amount of added value created in the region, but also seen from how big the transfer-payment occurs, namely the share of income that flows out of the region or gets a flow of funds from outside the region (Mauliza and Irfan, 2008).

So in general, it can be concluded that economic growth is a change in the level of economic activity that changes over time or an increase in real national income or gross domestic product in the long term that causes the goods and services produced in society to increase and the prosperity of society to increase.

Economic growth shows the extent to which economic activity will generate additional income for the people in a certain period. The economy is considered to be experiencing growth if all real recompense for the use of production factors in a given year is greater than the previous year. The indicator used to measure economic growth is the growth rate of Gross Regional Domestic Product (GRDP) based on constant prices (Bappeda in Chalid and Yusuf, 2014).

### Equalization Fund

According to Widjaja in Haryani (2017), the equalization fund is a source of regional income derived from the state budget to support the implementation of local government authority in achieving the goal of granting regional autonomy to the regions, namely especially improving services and improving community welfare. The equalization fund is a fund sourced from state budget revenues allocated to regions to mark regional needs in the context of implementing decentralization.

The equalization fund aims to create a financial balance between the central and local governments and between local governments. The equalization fund variant is the difference between transfers from the central government and the budget. Transfers that will be sent by the central government to the regions based on predetermined rules and the government also imposes sanctions for regional non-compliance with the balance fund rules that have been determined by the central government (Law, PP, Presidential Regulation, or Ministerial Regulation) by withholding or cutting balance funds transferred to the regions. This happened due to delays in the ratification of the regional budget and delays in repaying debts to the center (Abdullah in Murhani et al, 2018).

From these quotations, it can be concluded that the balance fund is a fund sourced from the state budget which is transferred from the central government to the regional government, with the aim of financing regional needs and is also used to increase regional income in order to prosper the community. The sources of the equalization fund consist of tax revenue sharing funds, non-tax revenue sharing funds, general allocation funds, and special allocations (Aprizay et al in Rahma and Martian, 2017).

### Unemployment

The definition of unemployment according to Iskandar Putong in Setiyawati and Hamzah (2007), is residents who are not working but are looking for a job or are preparing for a new business, or residents who are not looking for work because it is impossible to get a job (discouraged workers) or residents who are not looking for work because they have been accepted to work or have a job but have not worked (future starts).

Unemployment is a macroeconomic problem that affects people directly and is the most severe. Most people losing their jobs means experiencing a decline in living standards and psychological distress. So it is not surprising that unemployment is a topic that is often discussed in political debates and politicians often claim, that the policies they offer will help create jobs (Mankiw in Probosiwi, 2016).

Unemployed is an individual who can be categorized as a labor force (15 years to 64 years) who are unemployed and in search of work. If there are individuals who are not working but are also not looking for work, it cannot be said to be unemployed (Parwata in Usman and Diramita, 2018).

Based on several opinions according to these experts, it can be concluded that unemployment is someone who is already included in the labor force, who is looking for a job with the desired wage, but cannot get the desired job so that someone is still unemployed.

### Poverty

According to the SMERU research institute in Novriansyah (2018), poor people view poverty as a condition when a person loses self-esteem, is bumped into dependence, is forced to receive harsh treatment and insults, and is not cared about when he is seeking help. SMERU also revealed another definition of poverty, namely as a person's inability to meet basic consumption needs and improve their quality of life. Poverty arises because of inequality in the ownership of means of production, poverty is also related to certain attitudes, cultures of life, and environment in a society.

Poverty is not only concerned with income levels but also from social, environmental and even empowerment and participation levels, poverty should not only be regarded as just a low income, but should be regarded as an inability to capability. Poverty in rural areas is a matter of helplessness, isolation, vulnerability and physical weakness, which are interrelated and affecting each other. However, poverty is the determining factor that has the strongest influence than others (Manek and Badrudin, 2016).

Based on several opinions expressed by the experts above, it can be concluded that poverty is a person or society whose economy is low, resources are low, so that the community cannot afford the necessities of life

### Conceptual Framework

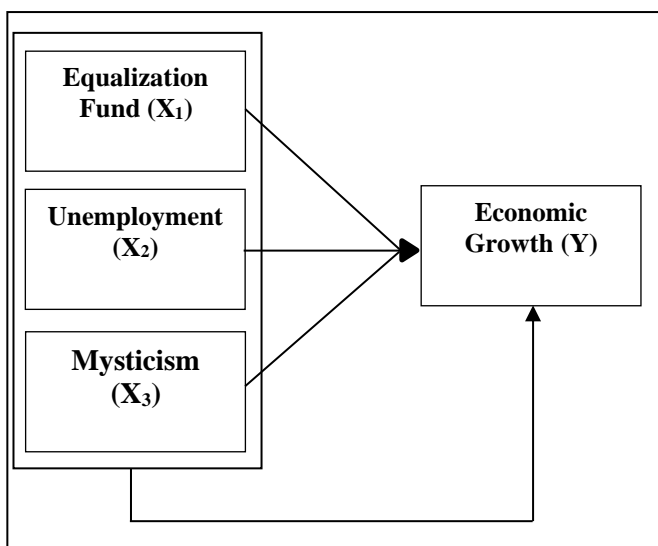


Figure 1 Conceptual Outline

The conceptual framework describes the influence between free variables and bound variables, namely the influence of equalization funds (X<sub>1</sub>), unemployment (X<sub>2</sub>) and poverty (X<sub>3</sub>) on economic growth (Y) as evidenced by the F test. and it is partially suspected that there is an influence between the variables of the balance fund (X<sub>1</sub>), unemployment (X<sub>2</sub>) and poverty (X<sub>3</sub>) on economic growth (Y)

### Hypothesis

A hypothesis is a statement that is put forward and still weak in truth. A hypothesis is a temporary conjecture that researchers put forward regarding the relationship between influencing variables and influenced variables. Based on previous theories and research, the hypotheses that can be formed are as follows:

- H<sub>1</sub> : It is suspected that the Equalization Fund (X<sub>1</sub>) has a positive and significant effect on Economic Growth (Y) in Bireuen Regency
- H<sub>2</sub> : It is suspected that Unemployment (X<sub>2</sub>) has a negative and significant effect on Economic Growth (Y) in Bireuen Regency.
- H<sub>3</sub> : It is suspected that Kemiskina (X<sub>3</sub>) has a negative and significant effect on Economic Growth (Y) in Bireuen Regency.

## 3. RESEARCH METHODOLOGY

### Object And Location Of The Study

In this study, the object of the study is the equalization fund, unemployment and poverty as free variables and economic growth as bound variables. Then his research site was in Bireuen County.

### Operational Definition Of Variables

Variables are the object of study, or what is the point of concern of a study. The operational definition of variables is an explanation of each dependent variable (bound) and an independent variable (free), here is an explanation of each dependent and independent variable:

1. Economic Growth (Y)  
It is the increase in the income of the community as a whole that occurs in the region or the magnitude of the percentage increase or decrease in economic growth in Bireuen District And measured in units of percent.
2. Equalization Fund (X<sub>1</sub>)  
It is a fund sourced from state budget revenues allocated to regions to mark regional needs in the context of implementing decentralization and is measured in billions of rupiah.

### 3. Unemployment ( $X_2$ )

It is the population in an area that has entered working age but does not yet have employment and is measured in units of soul.

### 4. Poverty ( $X_3$ )

It is a picture of the situation of shortcomings such as limited capital owned, low knowledge and skills, low productivity, low income, weak exchange rate of production of the poor and limited opportunities to participate in development. And measured in units of soul.

## Data Analysis Methods

### Multiple Regression Analysis

To determine the variables of Economic Growth, The Equalization Fund, Unemployment and Poverty used multiple linear regression. According to Mukamad and Sarda (2017), multiple linear regression is a regression analysis that explains the relationship between response changes (dependent variables) and factors that affect more than one predictor (independent variable). Multiple linear regression is almost the same as simple linear regression, except that in multiple linear regression the free variable is more than one estimator variable. The purpose of multiple linear regression analysis is to measure the intensity of the relationship between two or more variables and make an approximate prediction of the value of Y over X. In general, the multiple liner regression model is as follows:

$$Y_t = \beta_0 + \beta_1 \text{Ln}X_{1t} + \beta_2 \text{Ln}X_{2t} + \beta_3 \text{Ln}X_{3t} + e_t$$

Where:

**Y** = Economic Growth

**$\beta_0$**  = Constant

**$\beta_1, \beta_2, \beta_3$**  = Variable Regression Coefficient

**$\text{Ln}X_1$**  = Equalization Fund

**$\text{Ln}X_2$**  = Unemployment

**$\text{Ln}X_3$**  = Poverty

**e** = Error term

### Normality Test

According to (Gujarati, 2009) mentioned that the normality test is a test where if the probability is greater than alpha 5 percent then the normality test is accepted. Another justification for this test is to compare the value of the calculated J-B with  $\chi^2$  of the table, if J-B counts  $< \chi^2$  of the table then the residual is normally distributed. Normality test is a test that will test free variable data (X) and bound

variable data (Y) on regression equations that are produced normally distributed or abnormally distributed.

## Test Classical Assumptions

### Autocorrelation Test

The autocollaboration test aims to test whether the linear regression model has a correlation between the disruptor error in the t period and the disruptor error in the t-1 period (before). If a correlation occurs, then there is an autocorrelation problem. Autocorrelation can occur because sequential observations over time relate to each other. This problem arises because the residual (fault of the disruptor) is not free from the time series because disturbances in an individual/group tend to affect the same individual/group in the next period. There are several ways that can be used to see whether or not autocolonization occurs. One of them is the Breusch-Godfrey Serial Correlation LM Test.

### Multicollinearity Test

Testing this assumption is to show the existence of a linear relationship between free variables in the regression model as well as to show whether or not there is a high degree of collinearity between free variables. If the free variability correlates perfectly then it is called perfect multicollinearity, which means that the smallest squared model cannot be used. An indicator to detect the presence or absence of multicollinearity is to test these assumptions by testing the correlation between independent variables and the correlation matrix.

### Heteroskedasticity Test

Heteroskedasity is a condition in which the variance of each disorder is not constant. The heteroskedasticity test can be performed using the white heteroskedasticity available in the Eviews program. The results to note from this test are F and Obs\*R-Squared. If the probability value is greater alpha (0.05)

## Hypothesis Testing

### Partial Test (t-test)

Statistical tests aim to see the significant and influence between free variables on individually bound variables by assuming other free variables are constant. The null hypothesis ( $H_0$ ) to be tested is whether the parameters of this study are equal to zero, meaning that the explanatory variable is a significant explanatory of the income variable.

1. If it is calculated  $> t_{table}$ , then  $H_1$  is accepted which means that the free variable individually affects the bound variable.
2. If the  $t_{hitung} < t_{table}$ , then  $H_1$  is rejected which means that the free variable individually has no effect on the bound variable.

### Simultaneous Test (F Test)

This F-statistical test is performed to see how much influence the independent variables have overall or together on the dependent variables. For this test is carried out the following hypotheses:

1.  $H_0: \beta_1 = \beta_2 = 0$ , meaning that together there is no influence of independent variables on dependent variables.
2.  $H_a: \beta_1 \neq \beta_2 \neq 0$ , meaning that together there is an influence of independent variables on the dependent variables.

This test is performed to compare the value of F-count with F-table. If the F-count is greater than the F-table eating  $H_0$  is rejected, which means the secura independent variables together affect the dependent variables.

### Coefficient of Determination (R<sup>2</sup>)

The coefficient of determination is the coefficient used to measure how much influence the variables are affected by the variables that affect. The value of this coefficient is between 0 (zero) to 1 (one). The greater the value of the coefficient, the more independent variables are able to explain the variation of dependent variables. The coefficient value is a measure that shows the magnitude of the influence of the independent variable on the dependent variable. If the value of the coefficient of determination given the symbol  $R^2$  is close to the number 1, then the independent variable is closer to the relationship with the dependent variable, so it can be said that the influence of the model can be justified (Gujarati, 2009).

### Correlation Coefficient (R)

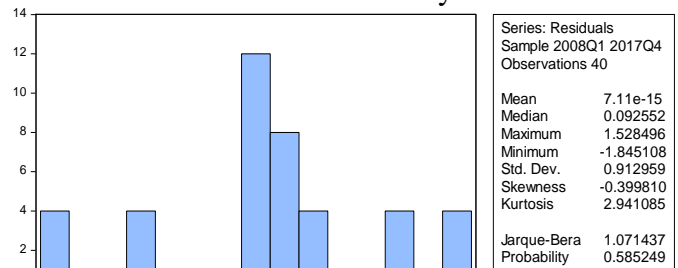
Correlation analysis is a way to find out whether independent variables and dependent variables are strongly related or not. correlation analysis is a way to find out whether or not the relationship between an independent variable (X) and a dependent variable (Y) is strong, if it is expressed by a linear function and measured by a value called the correlation coefficient.

## 4. RESULTS OF RESEARCH AND DISCUSSION

### Research Results

#### Normality Test Results

According to (Gujarati, 2009) mentioned that the normality test is a test where if the probability is greater than alpha 5 percent then the normality test is accepted. Another justification for this test is to compare the value of the calculated J-B with  $\chi^2$  of the table, if J-B counts  $< \chi^2$  of the table then the residual is normally distributed. Normality test is a test that will test free variable data (X) and bound variable data (Y) on regression equations that are produced normally distributed or abnormally distributed. Here are the normality test results:



Source : Results of Researcher Data Processing (2023)

#### Figure 2 Normality Test Results

Based on the results of the normality test above, it can be seen that the residual data in this study have been distributed normally. Because the probability value is  $0.585249 > 0.05$

### Autocorrelation Test Results

This autocorrelation test is used to test whether in a linear regression model there is a correlation between errors. Autocorrelation means that there is a correlation between sample members or observational data sorted by time, so that the appearance of a datum is influenced by the previous datum. The following are the results of the autocorrelation test:

**Table 2**  
**Autocorrelation Test Results**

Breusch-Godfrey Serial Correlation LM Test:

F-statistic	0.038503	Prob. F(2,4)	0.9626
Obs*R-squared	0.188880	Prob. Chi-Square(2)	0.9099

Source : Results of Researcher Data Processing (2023)



Based on the test results shown by table 2, it is known that the Obs\*Rsquared value is  $0.19 < 5.99$ , so this study has been free from the Autocorrelation indication. This can also be seen from the Chi-Squared Probability value of  $0.9099 > 0.05$ .

### Multikolinearity Test

Results Testing this assumption is to show the existence of a linear relationship between free variables in the regression model as well as to show whether or not there is a high degree of collinearity between free variables. An indicator to detect the presence or absence of multicollinearity is to test these assumptions by testing the correlation between independent variables and the correlation matrix. The following are the results of the multicholinerity test:

**Table 3**

#### Multikolinearity Test Results

	Y	X <sub>1</sub>	X <sub>2</sub>	X <sub>3</sub>
Y	1	0.45697	0.24646	-0.515533
X <sub>1</sub>	0.45697	1	0.410642	-0.698865
X <sub>2</sub>	0.24646	0.41064	1	-0.495972
X <sub>3</sub>	-0.5155	-0.69886	-0.49597	1

Source : Results of Researcher Data Processing (2023)

Based on table 3 above, it can be seen that the correlation coefficient between X<sub>1</sub> and X<sub>2</sub> is  $0.456970 < 0.80$ , then the coefficient value between X<sub>1</sub> and X<sub>3</sub> is  $-0.515533 < 0.80$ . which means that there is no multicollinearity because the correlation coefficient is less than 0.8. or in other words there is no significant relationship between free variables.

### Heteroskedasticity Test

Results heteroskedasticity, meaning that the variance of variables in the model is not the same, the consequence of the presence of symptoms of heteroskedasticity is that the estimator obtained is not efficient, both in large and small samples although the estimator obtained describes its population in an unusual sense. The following are the results of the heteroskedasticity test:

**Table 4**

#### Heteroskedasticity Test Results

F-statistic	3.305498	Prob. F(3,36)	0.0310
Obs*R-squared	8.638720	Prob. Chi-Square(3)	0.0345
Scaled explained SS	6.791239	Prob. Chi-Square(3)	0.0789

Source : Results of Researcher Data Processing (2023)

Based on table 4 above, it can be concluded that based on the results of the white-Test test, it can be seen that the Obs\*Chi-Squared is  $8.63 > 0.05$ . then in this study there is no indication of heterosdakticity

### Multiple Linear Regression Analysis Test Results

This study used multiple linear regression analysis with the OLS (Ordinary Least Square) method and the Eviews 9 program. Multiple regression is a regression model that has more than one Independent variable. The following are the results of multiple linear regression tests:

**Table 5**

#### Multiple Linear Regression Test Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	174.8919	69.99634	2.498586	0.0175
LOG(X1)	0.268020	0.175318	1.528760	0.1356
LOG(X2)	0.634230	0.497102	1.275854	0.2107
LOG(X3)	16.44644	5.860816	-2.806169	0.0082
AR(1)	0.857909	0.118932	7.213463	0.0000
SIGMASQ	0.277365	0.046027	6.026118	0.0000
R-squared	0.834735			
Adjusted R-squared	0.810432			
F-statistic	34.34608	Durbin-Watson stat	1.846769	
Prob(F-statistic)	0.000000			
Inverted AR Roots	.86			

Source : Results of Researcher Data Processing (2023)

Based on the results of the data processing from the table above when included in the research model, the multiple linear regression equation is as follows:

$$Y_t = 174.89 + 0.27\text{Ln}X_{1t} + 0.63\text{Ln}X_{2t} - 16.45\text{Ln}X_{3t}$$

From the regression model equation above, the results of the study can be expressed as follows:

- From the regression model equation above, the results of the study can be expressed as follows:
  - The constant variable has a value of 174.89 which means that if the variables Equalization Fund (X<sub>1</sub>), Unemployment (X<sub>2</sub>) and Poverty (X<sub>3</sub>) in this study are considered constant, then Economic Growth (Y) in Bireuen District is 174.89%.
  - The value of the Balance Fund variable coefficient (X<sub>1</sub>) is 0.27 which means that if

the Equalization Fund (X1) increases by 1% then Economic Growth (Y) in Bireuen Regency will also increase by 0.27%.

4. Furthermore, the value of the variable coefficient of unemployment (X2) is 0.63 which means that if unemployment (X2) increases by 1% then Economic Growth (Y) in Bireuen Regency will increase by 0.63%.
5. Then the value of the Poverty variable coefficient (X3) is -16.45 which means that if Poverty (X3) increases by 1% then Economic Growth (Y) in Bireuen Regency will decrease by -16.45%.

## Hypothesis Testing

### Partial Variable Testing (t-test)

Based on the tests as shown in table 5, it can be seen that the Balance Fund variable (X1) has a calculated value of 1.53 smaller than the ttable of 1.69 and a probability value of  $0.14 > 0.05$  which means that partially the Equalization Fund (X1) has no positive and insignificant effect on economic growth in Bireuen Regency. Furthermore, the unemployment variable (X2) has a calculated value of 1.28 smaller than the ttable, which is 1.69 probability value of  $0.21 > 0.05$  which means that the unemployment variable (X2) has no positive and insignificant effect on economic growth in Bireuen Regency. Then the poverty variable (X3) has a calculated value of  $< t$ table, namely  $-2.81 < 1.69$  probability value of  $0.0082 < 0.05$ , which means that partially Poverty (X3) has a negative and significant effect on economic growth in Bireuen Regency.

### Simultaneous Variable Testing (F Test)

Based on the test results contained in Table 5, it can be seen that the Balance Fund (X<sub>1</sub>), Unemployment (X<sub>2</sub>) and Poverty (X<sub>3</sub>) has a Fhitung  $> F$ table value of  $34.35 > 5.14$  with a significance value of  $34.35 > 3.25$ , meaning that simultaneously or together the Balance Fund (X<sub>1</sub>), Unemployment (X<sub>2</sub>) and Poverty (X<sub>3</sub>) have a positive and significant effect on economic growth in Bireuen Regency.

### Coeffisien Determination (R<sup>2</sup>)

The coefficient of determination is the coefficient used to measure how much influence the variables are affected by the variables that affect. The value of this coefficient is between 0 (zero) to 1 (one). The greater the value of the coefficient, the more independent variables are able to explain the variation of dependent variables. The coefficient value is a measure that shows the magnitude of the

influence of the independent variable on the dependent variable. If the value of the coefficient of determination given the symbol R<sup>2</sup> is close to the number 1, then the independent variable is closer to the relationship with the dependent variable, so it can be said that the influence of the model can be justified (Gujarati, 2009).

From the results of data processing, R.Square obtained 0.273681, which means that the magnitude of the influence of the Balancing Fund variables (X1), Unemployment (X2) and Poverty (X3) on economic growth in Bireuen Regency is 0.810432 or 81.04%, while those affected by other variables outside this model are 0.189568 (18.96%).

### Correlation Coefficient

From the results of processing data in table 5 obtained the correlation value (R) =  $\sqrt{R^2} = \sqrt{0.810432} = 0.900239$  or (90%). So the relationship between the variables Equalization Fund (X1), Unemployment (X2) and Poverty (X3) to economic growth in Bireuen County is very strongly related positively because the value of 0.90 is close to positive +1.

## Discussion

### The Relationship of the Equalization Fund to Economic Growth

Based on the test results, it was found that the equalization fund did not have a positive and significant effect on economic growth in Bireuen District. This can be seen from the calculated t value of the  $< t$  table or  $1.53 < 1.69$  and the probability of  $> 0.05$  or  $0.13 > 0.05$  means that the increase in the balance fund is not accompanied by an increase in the rate of economic growth. This is not in accordance with the theory and research conducted by Fani Wiraswasta, M. Pudjihardjo, and Putu Mahardika Adis (2018) with the title The Effect of Balance Funds and Regional Native Income (PAD) on Economic Growth through Capital Expenditure in Cities within the East Java Region (2009-2014). The results of his research show that the equalization fund has a significant effect on economic growth.

### The Relationship of Unemployment to Economic Growth

Based on the test results, unemployment has no positive and significant effect on economic growth in Bireuen County. This can be seen from the calculated t value of  $< t$  table or  $1.28 < 1.69$  and the probability of  $> 0.05$  or  $0.21 > 0.05$  means that the increase in unemployment has no impact on the



pace of economic growth. This is inconsistent with the theory and research that Moh did. Arif Novriansyah (2018) with the title *The Effect of Unemployment and Poverty on Economic Growth in Gorontalo Province*. The results of his research show that Unemployment and Poverty affect Economic Growth in Gorontalo Province.

### **The Relationship of Poverty to Economic Growth**

Based on the test results, poverty has a negative and significant effect on economic growth in Bireuen Regency. This can be seen from the calculated t value of the  $t < t_{table}$  or  $-2.81 > 1.69$  and the probability of  $> 0.05$  or  $0.0082 < 0.05$ . This is in accordance with the theory and research conducted by Moh. Arif Novriansyah (2018) with the title *The Effect of Unemployment and Poverty on Economic Growth in Gorontalo Province*. The results of his research show that Poverty affects Economic Growth in Gorontalo Province.

## **5. CLOSING**

### **Conclusion**

Based on the results of research that has been carried out, it can be concluded that:

1. Partially states that the equalization fund has no significant effect on economic growth in Bireuen County. This is because the contribution of the equalization fund to the regional budget has not been so large, causing a slow pace of economic growth.
2. Partially states that unemployment has no significant effect on economic growth in Bireuen County. This is due to the increase in the business world which is not followed by an emphasis on the unemployment rate and also has not been properly realized by local government programs.
3. Partially states that poverty has a negative and significant effect on economic growth in Bireuen District.

### **Suggestion**

Based on the results of the study and the conclusions above, the author gives some suggestions as follows:

1. It is expected that the equalization fund will be allocated by the Bireuen district government to continue to be considered and effective in its allocation, because if the government allocates the balance fund on target, it will have an impact on the pace of economic growth.

2. It is hoped that the Bireuen District government can find a solution in alleviating the problem of unemployment and poverty, one of the ways is by creating wide employment opportunities. So that it can reduce the unemployment rate and can reduce the poverty rate and later can increase the rate of economic growth.
3. It is hoped that in the next research to further develop the scope of research and add other supporting sources to increase knowledge about economic growth.

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