Available online at: http://proceeding.rsfpress.com/index.php/ebs/index
LPPM UPN "Veteran" Yogyakarta Conference Series
Proceeding on Economic and Business Series (EBS)
Volume 1 Number 1 (2020): 135-140

Utilization of Regional Government Assets and Economic Growth in the Special Region of Yogyakarta

I Ketut Nama , Sri Suharsih, Rini Dwi Astuti

Universitas Pembangunan Nasional Veteran Yogyakarta
E-mail address ketut.nama@upnyk.ac.id; E-mail address sri.suharsih@upnyk.ac.id; E-mail address rinidwiastuti@upnyk.ac.id

Abstract

Regional assets are an important resource for local governments as the main support for regional revenues. Therefore, it is important for local governments to be able to manage assets adequately to boost the economy. This study analyzes asset utilization, population density, health facilities, educational facilities, and financial facilities on economic growth in the Special Region of Yogyakarta. The research sample was selected based on purposive sampling by considering the potential assets of the local government. Data were analyzed using a regression model. The results showed that the utilization of local government assets did not affect economic growth. Economic growth in districts/cities where the Special Region of Yogyakarta regional government's assets are located is influenced by population density, health facilities, educational facilities, and financial facilities. This is because there are still many local government assets that are idle or utilized, but their utilization has not been optimal. So that local governments must be able to compile asset utilization models that can drive the economy

Keywords: economic growth, regional government assets, asset utilization.

I. INTRODUCTION

The real-estate sector (land and buildings) is considered one of the sectors that are expected to be a potential resource to support regional development, as well as being effective as a strategic channel in improving the quality of public services (Summerell, 2005. Batara, et al., 2015). Therefore, it is very important for local governments to manage regional assets properly (Hanis et al. 2010a; Hanis et al., 2010b; Showers, 2013; Tukunang, 2016). Apart from assets as a support for a region's economic growth, it is also important to pay attention to other factors such as capital and population as a determinant of growth (Mankiw, 2010). The capital aspect can be seen from the existing infrastructure, such as education, health, and finances (Paley, 2015).

Economic growth is a macroeconomic goal that is a major concern for the government, including in Indonesia, particularly the government of the Special Region of Yogyakarta (DIY). Low economic growth can have an impact on other economic problems, such as unemployment and income inequality (Sukirno, 2015). Central Bureau of Statistics data shows that economic growth in the first quarter of 2020, all provinces in Indonesia experienced contraction. Yogyakarta Special Region experienced the deepest contraction compared to other provinces in Java, at 5.48 percent. Even compared to the first quarter of last year, the economic performance of the Special Region of

Yogyakarta was the only province in Java Island that experienced a contraction of 0.17 percent. On the other hand, regional government assets, which are expected to be the main support for regional revenues, have not been optimally utilized due to poor asset management (Kaganova & Telgarsky, 2018). Not to mention problems like regional assets that have not been recorded, control of regional assets by other parties, regional assets that have not been certified, limited human resources who handle regional assets, and the existence of a lawsuit from third parties (Kompasiana, 2016; Suparman and Sangadji, 2018; Romlah, 2018).

Previous studies related to economic growth have focused more on infrastructure variables (Maryaningsih, et al., 2014; Paley, 2015; Ramadhan, 2019) or the use of assets that have not explicitly seen their impact on economic growth (Afandi & Khairani, 2013); Assey & Chachage, 2016; Galamba & Nielsen, 2016; Daniela et al., 2018; Irawan, 2018). This study aims to fill the research gap by conducting studies related to how the use of regional assets, population, and infrastructure can influence economic growth in DIY.

II. LITERATURE REVIEW

The Solow growth model shows that the accumulation of capital, labor, and technology is the main driver of growth (Mankiw, 2010). Economic growth can be encouraged through the accumulation of capital in the form of physical infrastructure and human resources (Maryaningsih, et al., 2014). According to a world bank study, there are many determinants of economic growth, such as macroeconomic conditions, institutions, infrastructure, health, education, technological advances, and so on, and many models have been developed to see the effect of infrastructure on economic growth (Paley, 2015). The Ramadhan study (2019) also shows the importance of infrastructure development as an economic driven, particularly education and economic infrastructure.

Capital accumulation can also be viewed from the aspect of investing in the real estate sector. There have been many studies related to the importance of real estate development for the economy. Li et al. (2018) conducted a study on the impact of real estate development on the Chinese economy through its effect on investment. Previous studies were also conducted by Kong, et al. (2016), who found that real estate investment has a positive influence on the Chinese economy both nationally and at the regional level. Belo et al. (2017) pointed out the importance of real estate investment in overcoming economic hardship in Nigeria. Government policies are needed for business-oriented real estate development.

The real estate investment domain includes private investment as well as related government assets. How local government assets should be managed has been the subject of much research (Abdullah et al., 2011; Afandi & Khairani, 2013; Assey & Chachage, 2016; Galamba & Nielsen, 2016; Daniela et al., 2018; Irawan, 2018). However, many studies are still qualitative descriptive analysis without developing a more complex analysis model on how the impact of optimizing regional asset management on economic growth (Moioli, 2018; Simanjuntak & Munizar, 2017; Tukunang, 2016; Hasfi, 2013; Afandi & Khairani, 2013). Thus, it is important to develop previous studies related to the preparation of a more comprehensive model of economic growth analysis by taking into account various determinants of growth. This research will examine the importance of optimal asset utilization and good infrastructure supported by population factors as another important factor determining economic growth.

III. RESEARCH METHODOLOGY

The data in this study is a cross-section data covering 26 assets belonging to local governments. The sample selection is using a purposive sampling method based on the potential utilization of assets. This study uses OLS (Ordinary Least Squares) with the following model (Gujarati, 2012):

$$GRDP_t = \alpha_0 + \alpha_1 ASSET_t + \alpha_2 PDDK_t + \alpha_3 FASKES_t + \alpha_4 SCHOOL_t + \alpha_5 BANK_t + e_t$$

Where Gross Regional Domestic Product (GRDP) shows the market value of goods and services produced in the regency/municipality are based on the 2010 base year, in a million rupiah, and denoted as GRDP. The asset is a dummy variable with a value of 1 if there is the use of regional assets and 0 if there is no use of regional assets. Population density (PDDK) is the ratio of population to the area, with units of people per km^2. Health Facilities (FASKES) is the number of hospitals, polyclinics, health centers, and practicing doctors in units. Educational Facilities (SEKOLAH) are the number of Elementary Schools, Junior High Schools, Senior High Schools, and Universities with units and denoted as. Financial Facility (BANK) is the number of banks in units.

IV. FINDING AND DISCUSSION

Economic growth can be measured by the growth of Gross Regional Domestic Product (GRDP). Overall, there is an increase in GDP in 2019 compared to the previous year. The DIY economy during 2019 grew 6.60 percent, accelerating faster than in 2018, which grew by 6.20 percent. In terms of sector, this growth was driven by the construction business sector, which grew by 14.39 percent, water supply, waste processing, waste, and recycling, which grew by 8.90 percent; and the provision of accommodation and food and drink, which grew by 8.89. On the other hand, the main pillars of growth in terms of expenditure are the component of gross fixed capital formation, which grew 9.74 percent, and consumption expenditure for non-profit institutions serving households, which grew relatively high by 9.58 percent.

The highest economic growth is in Kulon Progo Regency, at 13.49 percent above the provincial and national averages. There are three components or sectors that boost Kulonprogo's economic growth, namely the agriculture, forestry, and fisheries sectors. The contribution from this sector to Kulonprogo's GRDP in 2019 at the current price reached IDR 1.82 trillion or 17.62 percent. Then the wholesale and retail trade sector contributed around 13.46 percent, and the contribution from the construction sector was around 13.34 percent. In addition, there is a mega project for the construction of the Yogyakarta International Airport (YIA) airport, which also boosts the economy of Kulon Progo Regency.

Table 1. Gross Regional Domestic Product based on 2010 Constant Prices by Regencies / Cities in DIY Province 2018-2019

District / City	Value (billion rupiahs)		Growth (percent)	
	2018	2019	2018	2019
Kulonprogo	7,727.57	8,772.58	10.84	13.49
Bantul	18,150.88	19,154.77	5.47	5.53
Gunungkidul	12,914.88	13.603.37	5.16	5.33
Sleman	33,139.20	35,289.81	6.42	6.49
Yogyakarta	26,128.65	27,685.13	5.49	5, 96
DI Yogyakarta	**98.024.26**	**104.489.71**	**6.20**	**6.60**

Source: Yogyakarta Province in Figures 2020, BPS

How is the effect of the use of assets owned by local governments in promoting economic growth can be seen from the regression results in table 2, with the results of testing the classical assumptions in Table 3. Based on the classical assumption test carried out on the model, it is known that the model has passed the classical assumption test.

Table 2. OLS Regression Results

Variable	Coefficient	Prob.	Information
ASSET	-0.096914	0.1515	Not Significant
PDDK	1.040526	0.0000	Significant
FASKES	-0.695781	0.0125	Significant
SCHOOL	1.526103	0.0000	Significant
BANK	-1.029358	0.0000	Significant

The results show that economic growth in districts/cities where assets belonging to the DIY regional government are influenced by population density, health facilities, educational facilities, and financial facilities. The utilization of assets belonging to local governments has no effect on economic growth. This is because there are still many local government assets that are idle or that have been utilized, but their utilization has not been optimal.

Table 3. Classical Assumption Test Results

Classical Assumption	Statistic Value	Prob.	Description
Normality	0.853887	0.652500	Not Significant
Heteroskidastity	7.820631	0.1664	Not Significant
Autocorrelation	0.2279	2.957290	Not Significant
Multicollinearity	R^2 initial = 0784	R^2 Assets = 0.311 R^2 Pddk = 0755 R^2 Faskes = 0.832 R^2 School = 0742 R^2 Assets = 0.783	R^2 early > R^2 regression between explanatory variables, except for the variable of health facilities

Property assets such as land and buildings are the main resources for all organizations, including the public sector. Based on the analysis of primary data on local government assets, problems arise regarding the optimization of asset utilization. The existence of the assets is unclear, where there is no sign that the assets belong to the DIY government. Incomplete or minimal information about assets. The incomplete record of all public assets makes monitoring and controlling asset utilization somewhat difficult and allows the use of public assets without appraisal prior and without paying attention to public needs. To achieve this level of accountability, ensuring that the government knows what it has, where it is located, and what it is being used for is a prerequisite for the recognition and measurement of public assets for accounting purposes. The accuracy of the inventory management information system and goods records must be confirmed regularly. Physical inventory audits confirm the presence of items on the inventory records through visual inspections and counts. According to Pekey et al. (2014), the main problem in regional assets or the management of local public goods is the poor management of data on local public goods such as manual data collection and poor application of local asset data, making it difficult for local governments to know with certainty that assets are controlled or managed, so that assets which are managed by local governments tend not to be used optimally.

V. CONCLUSION AND FURTHER RESEARCH

The use of assets belonging to local governments does not affect economic growth. Economic growth in districts/cities where the assets of the DIY regional government are located is influenced by population density, health facilities, educational facilities, and financial facilities.

Infrastructure can accelerate economic growth in the areas sampled in this study. The limitations of the study regard to data and methodology. This research is only limited to the use of assets that are not optimal but have high economic potential as a source of regional revenue. Further research can be developed by adding assets that have been optimally utilized and combining cross-section data and time-series data. It is also necessary to further analyze the causal relationship between assets owned by local governments and economic growth.

REFERENCES

Abdullah, S., Razak, A.A., Hanafi, M.H., Salleh, M.N. (2011). Managing Government Property Assets: The Main Issues from the Malaysian Perspective. Journal of Techno-Social, Vol. 3 No. 1: 35-52.

Afandi, MN & Khairani (2013), Analysis of Fixed Asset Management at the Office of Revenue, Financial Management and Regional Assets in Tanjung Balai City, Journal of Administrative Sciences, 10 (3) December.

Assey, T. & Chachage, B. (2016). Improving accountability for public fixed assets using enhanced management system: Technical and procedural requirements, a case study of Tanzania. American Journal of Research Communication, Vol. 4 No. 11: 103-117.

Batara, A.M., Rakhmat, Sadik, M.N, Ahmad, B. (2015). Management of Assets in New Public Management Perspective (Case Study: Optimization of Lands and Buildings Asset at Local Government of Makassar City). Quest Journals Journal of Research in Humanities and Social Science, Volume 3, Issue 8: 32-41.

Belo, M.U., Aliyu, A.A., Juanil, D., Kasim, R. (2017). Real Estate Investment as a Panacea for Economic Instability in Nigeria: Evidence from the Northeastern States of Nigeria. Path of Science, Vol. 3, No 8: 1001-1006.

Daniela, LC, Mitrut, C., Grosu, RM, Profiroiu, M., & Iosif, A.E. (2018). Municipal real properties and the challenges of new public management: a spotlight on Romania. International Review of Administrative Sciences, Vol. 84 No. 1: 122–143. DOI 10.1177 / 0020852315596212.

Galamba, KR & Nielsen, SB (2016), Towards sustainable public FM: the collective building of capabilities. Facilities, Vol. 34 No. 3/4: 177-195. DOI 10.1108 / F-05-2013-0039.

Gujarati, Damodar N (2012). Econometrics by Examples. Palgrave Macmillan, New York.

Hanis, MH, Bambang, T. & Susilawati, C. (2010a). Public Asset Management Framework for Local Governments: Opportunities and Challenges for Public Asset Managers. Proceedings of 2nd International Postgraduate Conference on Infrastructure and Environment, 1-2 June 2010. The Hong Kong Polytechnic University, Hong Kong.

Hanis, MH, Bambang, T. & Susilawati, C. (2010b). Elements of Public Asset Management Framework for Local Governments in Developing Countries, Proceedings of the 8th International Conference on Construction and Real Estate Management (ICCREM 2010)1--3, December 2010. Royal on the Park Hotel, Brisbane.

Hanis, Muhammad (2011). The Application of Public Asset-Management in Indonesian Local Government: A Case Study in South Sulawesi Province. Journal of Corporate Real Estate, Vol. 13 No.1: 36-47.

Irawan, T. (2018). The Implementation of Asset Management at Local Government of Kubu Raya Indonesia. International Journal of Economics, Commerce, and Management, Vol. VI, Issue 3, March 2018, United Kingdom: 311-325.

Kaganova, O., & Telgarsky, J. (2018). Management of capital assets by local governments: an assessment and benchmarking survey. International Journal of Strategic Property Management, 22(2), 143-156.

Kompasiana (2016). Optimizing State Assets by Seeing Opportunities. https: /www.kompasiana.com, 3 November 2016.

Kong, Y., Glascock, J.L., Andrews, R.L. (2016). An Investigation into Real Estate Investment and Economic Growth in China: A Dynamic Panel Data Approach. Sustainability, 8, 66; DOI:10.3390/su8010066.

Li, J., Ji, J., Guo, H., Chen, L. (2018). Research on the Influence of Real Estate Development on Private Investment: A Case Study of China. Sustainability, 10, 2659. DOI:10.3390/su10082659.

Mankiw, N.G. (2010). Macroeconomics. Seventh Edition. Worth Publishers.

Maryaningsih, N., Hermansyah, O., Savitri, M. (2014). The Role of Infrastructure on Economic Growth in Indonesia. Bulletin of Monetary, Economics, and Banking, Vol. 17 No.1, July: 55-88.

Moioli, Rossella (2018). Complex properties management Preventive and planned conservation applied to the Royal Villa and Park in Monza. Journal of Cultural Heritage Management and Sustainable Development, Vol. 8 No. 2: 130-144. DOI 10.1108 / JCHMSD-06-2017-0035.

Paley, T. (2015). Assessing the Impact of Infrastructure on Economic Growth and Global Competitiveness. Procedia Economics and Finance, 23:168 – 175

Pekey, B., Hadiwidjojo, D., Djumahir, S. (2014). The Effectiveness of Local Asset Management (A Study on The Government of Jayapura). International Journal of Business and Management Invention, Volume 3, Issue 3: 16-26.

Ramadhan, M. (2019). Analyzing Public Infrastructure and Economic Growth in Indonesia. International Journal of Scientific & Technology Research, Vol 8, Issue 11, November: 1144-1148.

Romlah, Siti (2018). Regional Asset Management on Land Owned by the Regional Government of Pelalawan Regency 2015-2016. JOM FISIP Volume. 5 No. 1 - April 2018: 1-13.

Showers, M. (2013). Use of Statistical Samples in Physical Inventories. Journal of Property and Asset Management, Volume 3, No. 1, June: 1-9.

Simanjuntak, MRA & Munizar, R. (2017). Preliminary Study of Optimization Model of Local Government Infrastructure Asset Management to Improving the Sustainable Development Performance. International Journal of Scientific and Research Publications, Volume 7, Issue 12: 588-597.

Sukirno, S. (2015). Modern Macroeconomics: The Development of Thought from Classical to New Keynesian. Jakarta: P.T. Raja Grafindo.

Summerell, R. (2005). Implications of Real-Property Asset Management. The CPA Journal, Volume 75, No. 10.

Suparman, N. & Sangadji, AD (2018). Regional Asset Management in Achieving Orderly Administration in the DPPKAD of West Seram Regency, Maluku Province. KELOLA Journal: Journal of Social Sciences. Vol. 1 No. 2: 74-97.

Tukunang, SCF (2016). Regional Asset Management at the Regional Financial and Asset Management Revenue Service, Siau Islands Regency, Tagulandang, Biaro. EMBA Journal, Vol. 4 No.2 June 2016, ISSN 2303-1174: 236-253.