



## Reduce unemployment rate and increase economic growth: case at north maluku

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### ABSTRACT

The purpose of this study is to analyze the financial performance of the Tidore Islands government, how the influence of the government's financial performance on economic growth and the open unemployment rate in the Tidore Islands City. The data used in the analysis is quantitative data sourced from: reports on the realization of the Regional Revenue and Expenditure Budget (APBD), Economic Growth and data on the Open Unemployment Rate of Tidore Archipelago City. All secondary data is sourced from the Regional Development Planning Agency (Bappeda), the Central Statistics Agency (BPS), as well as reports related to this research. The data in this study are time series in 2013-2020 and use path analysis. The variables observed in this study include regional financial performance, economic growth and unemployment. The results showed that the local government's financial performance which consisted of independence, efficiency, effectiveness and suitability of spending had an effect on economic growth. Financial performance also has an effect on reducing the open unemployment rate in the Tidore Archipelago City. Economic growth has an effect on the open unemployment rate in the Tidore Archipelago City. That is, the better the economic growth, the lower the open unemployment rate in the Tidore Archipelago City.

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### 1. INTRODUCTION

One of the reasons for implementing regional autonomy is that regional development goes hand in hand with central development. This is a form of correction for the implementation of economic development which has so far focused on development at the center and has not paid attention to regional development. This centralized policy causes disparities and imbalances in the implementation of development at the center and the regions. As a result, almost all the economic potential in the regions is sucked into the center so that the regions are unable to develop adequately. So with regional autonomy, there is an intention to correct mistakes so far by providing opportunities for regions to get bigger funds and the freedom to manage them themselves to support development in the regions.

Development is a multidimensional process of change which, according to Todaro (2006) includes various basic changes to social structures, attitudes of society and

national institutions, while continuing to pursue accelerated economic growth, handling income inequality and alleviating poverty and unemployment. In this study, we examine in detail the financial performance of local governments consisting of independence, efficiency, effectiveness and appropriateness of spending which has an influence on economic growth, whereas in several previous studies this has not been fully disclosed regarding independence, efficiency, effectiveness and appropriateness of spending.

The granting of this authority is carried out through the spirit of regional autonomy. Regional development includes all regional and sectoral development activities that take place in the region carried out by the government and the community (Nugroho and Danuri, 2004) . According to Law Number 23 of 2014 concerning Regional Government in general, regional autonomy is the right, authority and obligation of autonomous regions to regulate and manage their own government affairs and the interests of local communities in the system of the Unitary State of the Republic of Indonesia. Thus Regional Autonomy has caused a shift in the development paradigm in Indonesia. Initially the implementation of development was based on the principle of centralization, then changed to the principle of decentralization. This indicates that local governments have the authority to manage their regions including managing their finances as regulated in Government Regulation of the Republic of Indonesia Number 12 of 2019 concerning Regional Financial Management. However, it should be understood that even though the regions have the authority to regulate themselves, financial management must be based on Law Number 17 of 2003 concerning State Finance .

One of the important criteria to determine the real ability of the region in managing its household is the ability of the region in the area of regional finance (Anas, 2021; Pamungkas et al.,2019 ; Aswar,2019). As we know that Regional Financial Management is the entire activity that includes planning, budgeting, implementation, administration, reporting, accountability, and supervision of regional finances. Regional finances are all regional rights and obligations in the context of administering regional government which can be valued in money and all forms of wealth that can be used as regional property in connection with the rights and obligations of the region. In Regional Financial Management we can see the extent to which where is the local government's financial performance. Where the government's financial performance is the ability of a region to explore and manage regional original financial sources in meeting their needs to support the running of the government system, service to the community and regional development without being fully dependent on the central government and having the flexibility to use funds for the benefit of the government. local communities within the limits determined by legislation ( Florida, 2007 ) .

Since the enactment of Law no. 23 of 2014 concerning Regional Government and Law no. 33 of 2004 ) concerning the Financial Balance between the Central Government and Regional Governments, there has been an increasingly broad delegation of authority to regional governments in order to improve the efficiency and effectiveness of the implementation of regional government functions related to regional financial management as an effort to improve regional economic performance. Mulyono (2006 ) suggests that financial management is concerned with planning, analyzing and controlling financial activities. Mardiasmo (2002 ) provides an understanding that the function of financial management is related to investment decisions, financing and dividends for an organization. These functions should be equally carried out in business organizations, government sectors, as well as organizations.

Regional autonomy through fiscal decentralization is the independence or freedom to determine their own rules. According to Oates (1993 ) and Sasana (2009 ), Fiscal Decentralization will be able to increase economic growth and community welfare, because sub-national governments/local governments will be more efficient in the production and supply of public goods to meet regional needs in accordance with the potential and capabilities possessed by the local government. area. The degree of decentralization shows the degree of contribution of PAD to total regional revenues. Regional Original Revenue is one source of revenue that must always be continuously

driven by its growth. According to Halim (2004) , Regional Original Income (PAD) is all regional revenues originating from regional original economic sources. Saragih (2003) and Sularso (2011) suggest that the increase in PAD is an access to economic growth. Halim (2004) found that the source of regional income in the form of PAD and balancing funds had an effect on overall regional spending. Sidik (2000) and Maryati (2007) , emphasize that the success of increasing PAD should not only be measured by the amount received, but also by its role in regulating the community's economy so that it can develop more, which in turn can improve the welfare of the local community.

Local governments, the balancing fund is one of the most significant revenue posts, this can be seen in practice that transfers from the center are the main source of funds for local governments to finance operational needs and must be reported in the calculation of the Regional Revenue and Expenditure Budget (Zhang et al., 2021). When regional revenue comes from transfers from the central government, the stimulus generated is different from the stimulus that arises from regional income (especially local taxes). When the response (expenditure) of the region is greater for transfers than its own regional original income, it is called the *flypaper effect* Hines (1995) and Lambut (2013) .

The ability of local governments to manage their finances is stated in the Regional Revenue and Expenditure Budget (APBD) which describes the ability of local governments to finance development activities. This is in accordance with the provisions of Law Number 17 of 2003 concerning State Finance in Article 31, that the Regional Head must provide accountability for the implementation of the APBD to the DPRD in the form of a Financial Report. The Financial Statements at least include the APBD Realization Report, Balance Sheet, Cash Flow Statement and Notes to Financial Statements which are attached to the financial statements of regional companies (Nordiawan, 2010) . The principles of Preparation and Presentation of Central Government Financial Statements (LKPP) and Local Government Financial Statements (LKPD) must be based on Government Accounting Standards (SAP) as regulated in PP 71 of 2010 concerning Government Accounting Standards .

One of the measuring tools that can be used to analyze the performance of district governments in managing their regional finances is to analyze the financial ratios to the APBD that have been determined and implemented (Halim, 2007) . In this regard, an analysis of the financial performance of the district government is important information, especially for making policies in regional financial management and assessing whether the district government is successful in managing its finances well, and has a positive impact on people's welfare. Analysis of financial performance in the APBD is carried out by comparing the results achieved from one period to the previous period, so that it can be seen how the trends occur. Besides that, it can also be done by analyzing financial ratios. The low capacity and ability of regional financial management will often lead to a cycle of negative effects, namely the low level of service for the community and not being able to improve the welfare of the community. In the context of transparent, honest, democratic, effective, efficient, and accountable regional financial management, it is necessary to carry out an analysis of financial ratios to regional expenditure revenues (Mardiasmo, 2002) .

Astuti (2015) says that the independence ratio and the effectiveness ratio have an effect on economic growth. The City of Tidore Islands as an autonomous region was inaugurated on May 31, 2003 which was divided from the Central Halmahera Regency based on Law No. 1 of 2003 regarding regional expansion. The Tidore Archipelago City area is physiographically divided into 2 main formations, namely the Tidore Island area and Halmahera Island. The economic structure of a region can be seen by looking at the composition of the GRDP of the region concerned.

The rate of economic growth in the City of Tidore Islands tends to fluctuate during the year 2013 - 2020. Economic growth is an indicator in measuring the economic performance of a country or region. With the improvement in the economy of a country/region, it is hoped that macroeconomic problems such as unemployment and

poverty can be overcome (Obi and Jones, 2022 ; Adelowokan et al, 2019; Kukaj, 2018 ; Wahyuningrum and Soesilowati, 2021; Chu et al, 2021; Zeb et al, 2022).

Unemployment is a very complicated problem for every country, and Indonesia is no exception. Problems related to unemployment have always been the main social problems in developing countries such as Indonesia.

The Open Unemployment Rate (TPT) in the City of Tidore Islands has fluctuated, during the period 2013 - 2020 . In 2013 , the open unemployment rate was 3,642 people or 17.93 percent of the population (labor force) in Tidore Kepulauan City who were unemployed. Then in 2014 there was a decrease of 3,421 people (labor force) who were unemployed or 15.45 percent and in 2015 the open unemployment rate fell to 3,017 people or 12.54 percent. Furthermore, in 2020 the open unemployment rate in the City of Tidore Islands continued to decline by 2,376 people or by 21.65 percent.

Based on the description of the background above, the research questions that are the formulation of the problems in this study as well as the research objectives that must be answered later are how the financial performance of the Tidore Islands City government and whether financial performance government City Tidore Island take effect on economic growth and the open unemployment rate?

## 2. RESEARCH METHOD

### 2.1 Research Design and Scope

This research is a case study on regional financial management, namely by analyzing the financial performance of the Tidore Islands City government using indicators of the ratio of independence, effectiveness, efficiency and compatibility of spending, and economic growth and unemployment. All calculated data will be analyzed using path analysis to find out whether there is an effect of financial performance on economic growth and its impact on unemployment.

### 2.2 Data Types and Sources

The data used in the analysis includes quantitative data, with secondary data sources including data on: (a) Report on the realization of the Tidore Islands City Budget in 2013 – 2020, (b) Economic Growth of Tidore Islands City in 2013 – 2020, (c) Tidore Islands City Open Unemployment Rate in 2013 – 2020, (d) Secondary data sources are related agencies, including Bappeda, the Central Bureau of Statistics (BPS), as well as reports related to this research.

### 2.3 Data collection technique

In this study, no sample is needed because it uses secondary data that is limited to the APBD realization report. The data used is limited to data on the amount of APBD realization that will be used to analyze the financial performance of the district government and the level of welfare of the people of Tidore Islands City. Meanwhile, other non-financial factors that influence the report on the realization of the Tidore Islands City Budget are considered constant.

The data to be collected and analyzed in this study is secondary data in the form of a APBD calculation report collected from the Regional Revenue, Financial and Asset Management Office and GRDP and population data obtained from the Central Statistics Agency for the City of Tidore Islands. The secondary data that will be used is in a time series of eight years from the fiscal year 2013 to the fiscal year 2020 . All of the data was collected by non-behavioral observation method, namely by observing directly the Tidore Islands City Budget document.

### 2.4 Data analysis method

#### a. Path Analysis

This study uses time series data in 2013 - 2020 and uses *path analysis*. Path analysis is used to explain the pattern of relationships between variables and intervening variables with the aim of knowing the direct or indirect effect of a set of independent

variables on the dependent variable (Riduwan and Sunarto; 2015) . With the following equation:

$$1. \quad Y_1 = \beta_0 + \beta_1 X_1 + \epsilon_1$$

$$2. \quad Y_2 = \beta_0 + \beta_2 X_1 + \beta_3 Y_1 + \epsilon_2$$

Note:  $X_1$  = Financial Performance

$Y_1$  = Economic Growth

$Y_2$  = Open unemployment rate

$\beta_1 \dots \beta_3$  = Independent variable regression coefficient ( $X_i$ )

$\beta_0$  = Intercept / Constant

$\epsilon_1$  = Error of the first equation

$\epsilon_2$  = Error of the second equation

1. The decision of the first equation hypothesis is formulated:

$$H_a : \beta_1 X_1 - \beta_2 X_2 \neq 0$$

$$H_0 : \beta_1 X_1 = \beta_2 X_2 = 0$$

Sentence form hypothesis decision:

$H_a$  : Financial performance has a positive and significant effect on economic growth in the City of Tidore Islands.

$H_0$  : Financial performance has no positive and significant effect on economic growth in the City of Tidore Islands.

2. The decision of the second equation hypothesis is formulated:

$$H_a : \beta_3 Y_1 - \beta_4 Y_2 \neq 0$$

$$H_0 : \beta_3 Y_1 = \beta_4 Y_2 = 0$$

Sentence form hypothesis decision:

$H_a$  : Financial performance has a positive and significant effect on unemployment in the City of Tidore Islands.

$H_0$  : Financial performance has no positive and significant effect on unemployment in the City of Tidore Islands.

$H_a$  : Financial performance and economic growth have a positive effect and significant impact on unemployment in the City of Tidore Islands.

$H_0$  : Financial performance and economic growth have no effect positive and significant impact on unemployment in the City of Tidore Islands.

Probability value = 0.05, (a) If the probability value of 0.05 is less than or equal to the probability value of Sig or  $0.05 < \text{Sig}$ , then  $H_0$  is accepted and  $H_a$  is rejected, meaning that it is not significant. (b) If the probability value of 0.05 is greater than or equal to the probability value of Sig or  $0.05 > \text{Sig}$ , then  $H_0$  is rejected and  $H_a$  is accepted, meaning that it is significant.

#### b. Variable Operational Definition

The operational definition is a definition based on the properties of the observed variables. Operational definitions are specific, detailed, firm and definite that describe the characteristics of research variables and things that are considered important (Mushlisin, 2013) . The operational definitions of the variables observed in research related to Regional Financial Performance, Economic Growth and Unemployment in the City of Tidore Islands include:

#### c. Regional Financial Performance

The Financial Performance Analysis of the Tidore Islands City Government is basically carried out to assess the performance of the local government by conducting various analyzes in order to obtain a financial position that represents the reality of the entity and its performance potentials on an ongoing basis. The instrument for measuring the influence of financial performance uses financial ratio analysis on the Tidore Islands City Government Budget using the Independence Ratio Indicator, Effectiveness Ratio, Efficiency Ratio and Shopping Harmony Ratio. (a) The Tidore Islands City Government Financial Independence Ratio shows the local government's ability to self-finance

government activities, development and services to the community which is calculated by dividing the total PAD by the total regional expenditure in percent. (b) The Financial Effectiveness Ratio of the Tidore Islands City Government is the ratio used to measure the effectiveness in realizing the Tidore Islands regional income which is the level of achievement of the implementation of an activity or achievement achieved by the district/city government as measured by comparing the realization of revenue with the revenue budget in percent units. (c) The Tidore Islands City Government Financial Efficiency Ratio is the level of achievement of the implementation of an activity or achievement achieved by the Tidore Islands City Government which is measured by comparing the realization of expenditure with the budget that has been determined, in percent. (d) The Expenditure Harmony Ratio describes how the Tidore Islands City Government prioritizes the allocation of its funds on public service expenditures optimally as measured by comparing the realization of total public spending with total regional spending in percent.

Economic Growth (Y1) is the number of goods and services that can be produced (an increase in output in the long term as measured by the increase in gross regional domestic product (GRDP) from year to year, which is expressed in percentage units. The analysis data is taken from the City Budget Realization Report Tidore Islands and Economic Growth of Tidore Islands City from 2013 - 2020 .

The Unemployment Rate (Y2) is the number of unemployed people, which includes the labor force but are not working or are looking for work. The variable number of unemployed used is the number of open unemployment in the City of Tidore Islands, using data from BPS, namely data on people aged (15 years and over) who are looking for work, preparing for a business, not looking for work, have not started work. Tidore Islands City Open Unemployment Rate Analysis in 2013 - 2020 which is expressed in soul units.

### 3. RESULTS AND DISCUSSIONS

#### 3.1 Financial Performance Variables

##### a. Independence Ratio

The results of the calculation of the Independence Ratio of the Tidore Islands City Government are calculated using the following formula (Utama, 2008 ) :

Locally-generated revenue

$$\text{Independence Ratio} = \dots\dots\dots \times 100\%$$

Total Regional Expenditure

Table 1. The Result of Calculation of the Independence Ratio of Tidore Archipelago City

Year	Regional Original Income (PAD)	Total Regional Expenditure (TBD)	(PAD/TBD) x 100
2013	5,735,598,950	131,273,256,598	4.37
2014	5,311,534,626	133,828,892,855	3.97
2015	5,054,757,817	144,807,407,074	3.49
2016	4,594,788,501.53	168.252.170.345	2.73
2017	9,099,082,373.83	201,787,768,608	4.51
2018	9,732,761,922.20	232,605,539,452,92	4.18
2019	12,767,597,336.34	352,148,244,453.62	3.63
2020	16,014,568,858,80	333,633,532,350.87	4.80

Source: Appendix, processed data (2021)

Based on Table 1, it is known that the City of Tidore Islands, the Financial Independence Ratio was achieved in 2013 which was 4.37%, but in the following years it continued to decline, namely in 2014 by 3.97%, in 2015 by 3.49% and reached the lowest level in 2016 which was 2.73%. In 2017 the Independence Ratio of Tidore Islands City increased again to 4.51% and decreased again in 2018 to 4.18% and in 2018 it fell

to 3.63%. In the year 20 20 Financial Independence of Tidore Islands City experienced the highest increase to 4.80%.

On average the results of the calculation of the financial independence ratio of the Tidore Islands City government in the period 201 3 - 20 20 were 3.96% and when linked to Table 2.1 regarding the criteria for the pattern of relationships with the central and provincial governments, which refers to the results of research conducted by Mahsun (2006) in Suyana Utama (2008 ) , the percentage lies between 0-25%, thus the Independence Ratio in Tidore Islands City belongs to the category of very low independence with an instructive relationship pattern.

#### b. Effectiveness Ratio

The results of the calculation of the Financial Effectiveness Ratio of the Tidore Islands City Government using the following formula (Utama, 2008 ) :

$$\text{Effectiveness Ratio} = \frac{\text{Revenue Realization}}{\text{Budget revenue}} \times 100\%$$

Table 2. Financial Effectiveness Ratio Calculation Results Tidore Archipelago City Government

Year	Realized Income ( RPD )	Budget revenue ( PPE )	(RPD/APD) x 100
2013	136,257,798,950	132.455.675.259	102.87
2014	139,375,480,308,26	136,822,375,213	101.87
2015	151.114.716.882	151,396,905,466	99.81
2016	162.140.791.314.53	164.209.624.401	98.74
2017	216,104,981,284.83	216,575,430,457	99.78
2018	282,401,817,608,20	271,832,952,787	103.89
2019	305.795.773.509.34	298,574,180,533	102.42
2020	321,629,838,338.82	314,926,982,418.33	102.13

Source: Appendix, processed data (2021)

Based on Table 2, it is known that the Financial Effectiveness Ratio of the Tidore Islands City Government was achieved in 2015 3 which was 102.87% but in the following years it decreased, namely in 201 4 to 101.87%, in 2015 5 to 99.81 % and reached the lowest level in 2016 which was 98.74 %. The highest ratio of Financial Effectiveness of Tidore Islands City Government was achieved in 2015 8 which was 103.89% and in 201 9 to 20 20 it decreased again. On average the results of the calculation of the Effectiveness Ratio of the City of Tidore Islands are 101.44% and when linked to Table 2 the criteria for the financial effectiveness of the autonomous region and financial capacity, which refers to the results of research conducted by Mahsun (2006) in Suyana Utama (2008 ) , shows that the percentage is at the level of > 100, the regional financial effectiveness ratio is classified in the very effective category.

#### c. Efficiency Ratio

The Result of Calculation of the Financial Efficiency Ratio of the City of Tidore Islands can be calculated using the following formula (Main, 2008 ) :

$$\text{Efficiency Ratio} = \frac{\text{Realization of Regional Expenditure}}{\text{Regional Budget}} \times 100\%$$

Table 3. Government Financial Efficiency Ratio Calculation Results Tidore Island City

Year	Realization of Regional Expenditure ( RBD )	Regional Budget ( ABD )	(RBD/ABD) x 100
2013	131,273,256,598	145,725,698,925	90.08
2014	133,828,892,855	149,843,779.529	89.31
2015	144,807,407,074	164,596.468,460,26	87.98
2016	168.252.170.345	180,896.699,009.26	93.01
2017	201,787,768,608	229,006,922,682.50	88.11
2018	232,605,539,452,92	285,300,989,724	81.53
2019	352,148,244,453.62	308,602,280,900,30	114.11

2020	333,633,532,350.87	353,791,360,04.10	94.30
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Source: Appendix, processed data (2021)

Based on Table 3, it is known that the Financial Efficiency Ratio of the Tidore Islands City Government in 2013 was 90.08%, then it increased in 2014 by 89.31%, in 2015 by 87.98%, in 2016 by 93.01%, in 2017 it was 88.11%, in 2018 it was the lowest point in the level of regional financial efficiency of 81.53% and in 2019 it reached the highest level of efficiency of 114.11%, but in 2020 it again decreased to 94.30%. On average the results of the calculation of the efficiency ratio in the City of Tidore Islands are 92.30% and when linked to Table 2.2 the criteria for regional financial efficiency, namely referring to the results of research conducted by Mahsun (2006) in Suyana Utama (2008), the percentage is between > 90 - 100%, thus the Financial Efficiency Ratio of the Tidore Islands City Government is classified in the less efficient category.

#### d. Shopping Match Ratio

The results of the calculation of the Tidore City Government Expenditure Harmony Ratio. Islands can be calculated using the following formula (Main, 2008) :

$$\text{Shopping Harmony Ratio} : \frac{\text{Public Service Expenditure} \times 100\%}{\text{Total Regional Expenditure}}$$

Table 4. Results of the Calculation of the Ratio of Government Expenditures for the City of Tidore Islands.

Year	Public Service Expenditure (BPP)	Total Regional Expenditure (TBD)	(BPP/TBD) x 100
2013	84,277,561,367	131,273,256,598	64.20
2014	86,262,275,163	133,828,892,855	64.46
2015	69,204,723,229	144,807,407,074	47.79
2016	105,570,915,429	168,252,170,345	62.75
2017	131,765,135,636	201,787,768,608	65.30
2018	45,702,185,703	232,605,539,452.92	19.65
2019	140,816,766,247.23	352,148,244,453.62	39.99
2020	174,888,523,065.56	333,633,532,350.87	52.42

Source: Appendix, processed data (2021)

Based on Table 4, it is known that the Ratio of Government Expenditures for the City of Tidore Kepulauan in 2013 was 64.20%, in 2014 was 64.46%, in 2015 was 47.79%, in 2016 was 62.75% and in 2017 it reached the highest level of compatibility of 65.30% while in 2018 it experienced the lowest decline of 19.65%. The Tidore Islands City Government Expenditure Harmony Ratio rose again in 2019 by 39.99% and in 2020 by 52.42%. On average, the results of the calculation of the Expenditure Harmony Ratio in the City of Tidore Islands are 52.07%, when linked to Table 2.4 Criteria for the Harmony of Financial Expenditures for the Autonomous Region and referring to the results of research conducted by Mahsun (2006) then the Ratio of Harmony Expenditures for the Government of Tidore Islands City categorized as quite compatible because the percentage is between > 40 - 60%.

#### Development of the Open Unemployment Rate in the City of Tidore, Islands

Table 5. Development of the Open Unemployment Rate In Tidore Island City

Year	Unemployment (Person)	Percentage (%)
2013	3,642	15.95
2014	3,421	14.98
2015	3,017	13.21
2016	2,983	13.07
2017	2,736	11.98
2018	2,501	10.95
2019	2,376	10.41
2020	2,156	9.45
Total	22,832	100.00

Source: Ticket City Manpower Office, data processed (2021)

Data in Table 5 shows that in 2013 there were 3,642 people or 15.96% of the population (labor force) in the City of Tidore Islands who are unemployed reached the highest unemployment rate and in the following years experienced a decline. In 2014 there were 3,421 or 14.98%, in 2015 3,017 or 13.21%, in 2016 there were 2,983 people or 13.07%, in 2017 there were 2,736 people or 11.98%, in 2018 there were 2,501% or 10.95%, in 2018 there were 2,376 people or 10.41% and in 2020 it reached the lowest unemployment rate of 9.45% or there were 2,156 people as a category of population (labor force) in the City Tidore Islands are unemployed. This indicates that the local government is not yet serious in creating employment policies that can reduce the open unemployment rate.

### 3.2 Development of Economic Growth in the City of Tidore, Islands

Table 6. Economic Growth of Tidore Archipelago City  
Year 2013 - 2020 (Billion Rupiah)

Year	Economic growth	Development
2013	6.10	-
2014	6.0	-0.10
2015	5.98	-0.02
2016	5.36	-0.62
2017	6.34	0.98
2018	6.23	-0.11
2019	6.16	-0.07
2020	6.43	0.51
Average	6.08	0.14

Source: BPS, City of Tidore Islands (2021)

Based on the data in Table 6 shows that the Economic Growth in the City of Tidore Islands in the period 2013 - 2020 tends to experience a significant increase. In 2013 the economic growth of Tidore Kepulauan City was 6.10 percent, decreased in 2014 to 6.0 percent. Then in 2015 it decreased again to 5.98 percent and in 2016 economic growth decreased to 5.36 percent. Furthermore, in 2017 economic growth increased by 6.34 percent. Economic growth declined again in 2018 by 6.23%, in 2019 by 6.16 % and experienced the highest increase in 2020 by 6.43%. The increase in the economic growth of the Tidore Islands City Government fluctuates from year to year. However, in general, the average economic growth increased by 6.07 percent.

#### a. Path Analysis Calculation

Table 7. Path Analysis Results

Influence variables	between Coefficient Beta Line	t value	F value	Coefficient Determination (R <sup>2</sup> )	of Information
X against Y1	0.001	2,345	6.499	0.664	Significant
X against Y2	-0.001	-2.665	8046	0.380	Significant
Y1 against Y2	0.023	3.162	8046	0.434	Significant

Information: X = Regional Financial Performance ; Y1 = Economic Growth ; Y2 = Unemployment Rate

Based on table 7 above, it describes that in the first equation regression model with individual (partial) testing, the financial performance of local governments on economic growth, which is in table 4.7. *The coefficients t* value is 2.345 with a (sig) value of 0.028 because the value of sig < 0.10 probability value, then the decision H<sub>0</sub> is accepted and H<sub>a</sub> is rejected, meaning that the financial performance of the local government has a significant and positive correlation to economic growth in the City of Tidore Islands.

For the second regression model with individual (partial) testing, the financial performance of the regional government for economic growth, where in table 4.7

*coefficients* (attachment) the t value is 2.665 with a (sig) value of 0.014 because the value of sig <0.05 is the probability value, then the decision H<sub>0</sub> IS REJECTED and H<sub>a</sub> is accepted, meaning that the financial performance of the local government has a significant and positive correlation with economic growth in the City of Tidore Islands.

Furthermore, the effect of economic growth on the open unemployment rate is shown in table 4.7. *coefficients* (attachment) obtained a t value of 3.162 with a value of (sig) 0.005 because the value of sig <0.05 is the probability value, then the decision H<sub>0</sub> is rejected and H<sub>a</sub> is accepted, meaning that economic growth has a significant and positive correlation to the open unemployment rate in the City of Tidore Islands.

In the second equation regression model with overall (simultaneous) testing, the financial performance of local governments and economic growth together on the open unemployment rate is seen in table 4.7. Anova (attachment) obtained an f value of 8.046 with a (sig) value of 0.003 because the value of sig <0.05 is the probability value, then the decision H<sub>0</sub> is rejected and H<sub>a</sub> is accepted, meaning that the financial performance of the regional government and economic growth together with the open unemployment rate is significant and positively correlated.

b. Autocorrelation Test (*Breusch-Godfrey Test*)

This test assumes that the confounding factor u t is derived following a *path-order autoregressive scheme* in which the equation is formed from the regression equation model, so that the following results are obtained.

Table 8. Autocorrelation Test Results

Breusch-Godfrey Serial Correlation LM Test:			
F-statistics	2.342573	Prob. F(2,19)	0.1232
Obs*R-squared	4.747426	Prob. Chi-Square(2)	0.0931

Source: Processed data attachment (2021)

These results indicate that the statistical F value is not significant in 5% or 1%, so it can be concluded that in the empirical model used there is no autocorrelation symptom found.

c. Heteroscedasticity Test (*White Heteroskedasticity Test*)

Unlike the Bruesch-Pagan method which relies heavily on assumptions about normality in residuals, Hal White developed a method that does not require assumptions about normality in residuals. Indication of the presence or absence of heteroscedasticity by calculating the value of  $X^2$  where  $X^2 = n \cdot R^2$ . The test is if the calculation results turn out to be  $X^2 - \text{count} < X^2 - \text{Table}$ . It means that the alternative hypothesis of heteroscedasticity is rejected. The results of the White test show that:

Table 9. Heteroscedasticity Test Results

Heteroskedasticity Test: White			
F-statistics	0.543388	Prob. F(5,18)	0.7411
Obs*R-squared	3.147497	Prob. Chi-Square(5)	0.6773
Scaled explained SS	3.530122	Prob. Chi-Square(5)	0.6188

Source: Processed data (2021).

Looking at the test results in the table above, it shows that the unemployment rate equation in the City of Tidore Islands does not contain heteroscedasticity.

d. fPartzal Correlation Multicollinearity Test)

If the detection of multicollinearity problems only by looking at the value of R<sup>2</sup> and the significance test through the t-test may give the result that the problem multicollinearity is not found in the regression model, because all coefficients are statistically significant with a fairly low coefficient of determination (R<sup>2</sup>) · What about the detection of correlation coefficients between independent variables?

Table 10. Multicollinearity Test Results

D(TPT)	D(KEU)	D(PE)
1	-0.4666	0.0194928
-0.46666	1	0.2032225
0.019492	0.203222	1

Description: Not Significant on 1% and 5%

The correlation coefficient value can be seen that the correlation between D(TPT) and D(KEU) is -0.4666, the correlation between D(PE) and D(KEU) is -0.0194 and the correlation between D(TPT) and D(PE) is 0.2032. Seeing the low value of the correlation coefficient, it is suspected that there is no multicollinearity problem.

The Effect of Government Financial Performance on Growth Economy in the City of Tidore Islands.

Since the enactment of Law no. 23 of 2014 concerning Regional Government and Law no. 33 of 2004 concerning Financial Balance between the Central Government and Regional Governments, there has been an increasingly broad delegation of authority to regional governments in order to improve the efficiency and effectiveness of the implementation of regional government functions related to regional financial management as an effort to improve regional economic performance. Regional management that is carried out economically, efficiently, and effectively or meets *value for money* as well as participation, transparency, accountability and justice will encourage economic growth which in turn reduces the number of unemployed and reduces poverty levels. Regional management requires not only human resources, but also economic resources in the form of finances as outlined in a local government budget.

Based on the results of the study, it shows that the financial performance of local governments has a significant and positive relationship. This means that, if the financial performance of the local government is getting better, independent, efficient, effective and harmonious in spending, it will increase economic growth in the city of Tidore islands. The results of this study are in line with Astuti's research (2015 ) showing the results of research that the independence ratio and the effectiveness ratio have an effect on economic growth. Research Machmud, et. al. (2014 ) show the results that the financial performance of the local government in North Sulawesi Province is still not stable or not good in terms of the ratio of independence, effectiveness and growth of local revenue. Ani, et. al. (2014 ) showed the results that the independence ratio had a positive effect on economic growth, while the effectiveness, efficiency and growth of local revenue had no effect on economic growth.

The Effect of Government Financial Performance on the Open Unemployment Rate in the City of Tidore Islands.

Government regions must be able to finance all government activities, development and society as implementation managing and managing their own household. For this reason, the regional financial capacity must be able to support the financing of government, development and community activities. From this understanding, it can be concluded that regional revenue is a source of capital, which is collected and used to finance various regional development implementation activities (Soediyono, 1992 ) . Furthermore, Davey (1988 ) revealed that regional autonomy requires the ability of local governments to explore sources of revenue that are not dependent on the central government and have the flexibility to use funds for the benefit of local communities within the limits determined by laws and regulations.

Based on the results of the study, it shows that the financial performance of the local government has an effect on the open unemployment rate in the City of Tidore Islands. This means that, the better the financial performance of the regional government, in the sense that regional finances are more independent, efficient, effective in management and there is harmony in spending, the lower the open unemployment rate. The results of this study are in line with his research Hamzah (2008 ) in a study entitled: "Analysis of Financial Performance Against Economic Growth, Unemployment,

and Poverty: Path Analysis Approach (Study in 29 Regencies and 9 Cities in East Java Province 2001-2006), shows that the financial capacity of local governments has a major role in increasing economic growth and reducing unemployment and poverty.

The Effect of Economic Growth on the Open Unemployment Rate in the City of Tidore Islands.

Economic growth as previously explained is an increase in GDP. GDP itself is a national product that is realized by domestic production factors (owned by citizens and foreigners) in a country (Sukirno, 1994) . Economic growth through increased GDP is expected to absorb labor in the country, because an increase in national income through GDP is likely to increase production capacity. This indicates that a decline in a country's GDP can be associated with a high number of unemployed in a country (Mankiw, 2000) .

Based on the results of the study indicate that economic growth has a significant effect with a negative relationship. This means that, if economic growth increases, it will be able to reduce the open unemployment rate ( TPT) in the City of Tidore Islands. The results of this study are also in line with studies Moosa (2008) who found different results in four Arab countries and Hanusch's (2012) study using data from 8 East Asian countries. According to Moosa (2008) there are three reasons why the results of research related to Okun's law are contrasting for countries whose economic structure is different from countries with more developed economies, including: (a) Unemployment in these countries is non-cyclical, where there is structural or frictional unemployment. Structural unemployment is the result of economic changes that are not accompanied by changes in education and training. (b) There is rigidity in the labor market, mainly because the labor market is dominated by the government as the main source of labor demand. (c) The economic structure of a country that is dominated by the government may be one sector. If the dominant sector is not labor intensive, the growth of the real sector that drives overall economic growth will not reduce unemployment. The Okun coefficient tends to be higher in developed countries than in developing countries, which is controlled by differences in the structure of the economy.

This study has similarities with the study of Zulhanafi, *et all* (2013) . Where if economic growth increases, it means that there has been an increase in the production of goods and services, due to an increase in the production of goods and services This will cause an increase in the factors of production, one of which is labor. This increase in demand for labor will have an impact on decreasing the unemployment rate and vice versa.

#### 4. CONCLUSION

The financial performance of the local government which consists of independence, efficiency, effectiveness and compatibility of spending has an influence on economic growth in the City of Tidore Islands. This means that the better the financial performance of the local government of Tidore Islands City, the better the regional economic growth. The local government's financial performance which consists of independence, efficiency, effectiveness and compatibility of spending has an influence in reducing the open unemployment rate in the City of Tidore Islands. This means that the better the financial performance of the local government of the City of Tidore Islands which has independence, efficiency, effectiveness, and harmony in spending, the lower the open unemployment rate. The results showed that economic growth had an effect on the open unemployment rate in the City of Tidore Islands. This means that the better the economic growth, the lower the open unemployment rate in the City of Tidore Islands. This research on the financial performance of local governments can provide valuable insights into how they manage their resources, make policy decisions, and impact their communities. It can inform policymaking, enhance fiscal responsibility, and contribute to the well-being of citizens. The implications and contributions of this research can be wide-ranging and have real-world implications for local governance and public administration. research on the financial performance of local governments can provide valuable insights into how they manage their resources, make policy decisions, and

impact their communities. It can inform policymaking, enhance fiscal responsibility, and contribute to the well-being of citizens. The implications and contributions of this research can be wide-ranging and have real-world implications for local governance and public administration.

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