The Model of Inclusive Development in Bali Province

Rudy Badrudin

YKPN School of Business,

Yogyakarta

rudybadrudin.stieykpn@gmail.com

ABSTRACT

This research analyzed about inclusive development model in Bali Province. The research model using two variables, the capital expenditure and the society welfare. Those districts in Bali Province was chosen as a research unit of analysis because the Bali Province was one of the provinces that its territory originality still able to be maintained since the effectuation of regional autonomy on January 1st, 2001. The contribution of this research to show whether the implementation of regional autonomy in Bali Province is in conformity with the model of inclusive development. The model of inclusive development is determined by the achievement of Human Development Index. By using the regression analysis and paired sample t test (α = 5%), found out that the capital expenditure influence the society welfare; no difference allocation of capital expenditure between counties and city; and no difference Human Development Index between counties and city in Bali Province.

Keywords: inclusive development, regional autonomy

1. INTRODUCTION

Background Research

Regional autonomy has been run and give a greater role to the county/city governments to manage development in the area. According to Law No. 23 of 2014 on Regional Government, Republic of Indonesia adheres to the principle of decentralization, de concentration, and the duty of assistance in governance by giving the opportunity and freedom to the regions to organize regional autonomy. Regional autonomy rights, authorities, and obligations of autonomous regions to set up and manage their own affairs and interests of local communities in accordance with laws and regulations.

The autonomous regions are legal community unit which has boundaries are authorized to regulate and administer governmental affairs and public interests own initiative based on the aspirations of the people within the Unitary Republic of Indonesia. Decentralization is the devolution of government power by the central government to autonomous regions to set up and administer governmental affairs in the Unitary State of the Republic of Indonesia. De-concentration is the delegation of authority by the central government administration to the Governor as representatives of governments and or the vertical institutions in a particular region. Co-administration is the assignment of the central government to regional and or provincial government to the village of the county/city and or country as well as from the county/city to the village to carry out specific tasks.

Regional autonomy implemented by giving broad authority, tangible and accountable to regions proportionally realized by setting, sharing and utilization of national resources is equitable and financial balance between the center and regions. In addition, the implementation of regional autonomy implemented with the principles of democracy, participation, equity, and justice, as well as considering the potential and diversity of the regions. Province is an autonomous region and at the same administrative region as the executor of central government authority delegated to the governor. Provincial government is not the employer of the district or region of the city.

The authority of broad autonomy is the freedom to organize the administration which include the authority all areas of government -planning, monitoring, control, and evaluation- except foreign affairs, defense and security, justice, monetary and fiscal, religion, and other authorities which will be determined by Government Regulation. The authority of real autonomy is the freedom to organize the regional authority in a particular field that obviously exists and is required as well as grow, live, and thrive in the area. The authority responsible autonomy is a manifestation of accountability as a consequence of granting rights and obligations to the region in achieving autonomy. To organize the regional autonomy, the regions are authorized to dig their own sources of funding are supported by the financial balance between central and local governments as well as between the provincial and county/city as a prerequisite in the local government system.

According to Abdullah and Asmara (2007), the misallocation in the financial area associated with opportunistic behavior of politicians and local government officials. The amount of authority of the legislature in the budget process open space for the legislature to impose his personal interests. Legislative position as a supervisor for the implementation of government policy, can be used to prioritize their preferences in budgeting. To realize his personal interests, politicians have a preference for allocations containing lucrative opportunities and have a long-term political impact. Therefore, the legislature will recommend the executive to raise the allocation to the sectors that support their interests.

Legislators tend to propose a reduction of allocations for education, health, and other public spending that is not job programs and targetable.

According to Susanto and Badrudin (2016), the allocation of the budget so that more priority alignments for public purposes (capital expenditure) rather than the interests of personnel (personnel expenditure). In allocating the capital expenditure component must consider several things: direct capital expenditure for the construction of supporting infrastructure investment in the region in promoting economic growth in the region; an evaluation and assessment of the inventory items are available both from the state and its economic life so that the procurement of inventory items can be selectively carried out according to the needs of each Local Government Unit (SKPD); and make capital expenditures for the purchase price/ wake fixed assets plus all expenditures associated with procurement of fixed assets until ready to use.

Routine problems that always arise in the management of the budget are the proportion of capital spending and the rate of absorption of low capital expenditure budget. This relates to the politics of local government budgets in managing the budget. Budgets are policy instruments owned by the local government to describe a comprehensive statement about the priorities of the region and also show the estimated performance of local governments that will be achieved during a certain period. Many counties/cities in Indonesia, which has a large portion of the budget with the allocation of indirect expenditures (personnel expenditures), while the allocation of direct expenditure (capital expenditure) is relatively low. This affects the success of development as measured by the Human Development Index. Therefore, the principle of budget management should as much as possible for the prosperity of society.

As part of Indonesia, the counties/city of Bali Province will also build the area based on the budget as other areas. Economic development as part of a holistic development aims to realize the welfare of the community counties/city of Bali Province. Therefore, the economic development model chosen is an inclusive model of economic development. Inclusive development model is a model of development whose success is determined by the achievement of Human Development Index (HDI) (Todaro and Stephen C. Smith, 2006: 22). Achievement of HDI is determined by the amount of capital expenditure in the budget (Yandri, 2012 and Badrudin, 2015). Thus, the model of inclusive development is determined by the amount of capital expenditure in the budget.

Research Purposes

On the basis of research background, the purpose of this study to evaluate the capital expenditure budget allocation counties/city in Bali Province. Evaluation is done so that the proportion and the absorption of capital expenditure on the budget counties/city in Bali Province increased so that the positive impact of development activities and achievements of the HDI. It will support the achievement of inclusive economic development in the counties/city of Bali Province.

Research Contributions

The findings of the research will be the input for the counties/city and Bali Provincial Parliament in formulating policy development budget through budget allocations counties/city in Bali Province. Based on that, the construction activity is expected to be smooth and supports the achievement of inclusive economic development so as to improve social welfare counties/city in Bali Province. In addition, research findings will be useful in contributing to the development of science, in particular as part of the regional finance and public sector finance theory models of economic development as part of the economic theory of inclusive economic development.

2. LITERATURE STUDY AND HYPOTHESIS DEVELOPMENT

Literature Study

According Adi (2005), fiscal decentralization can improve local economic growth, but not yet ready to enter all areas of fiscal decentralization. The area is more sensitive to the needs and strengths of the local economy. Adi findings of the initial data (2005) shows 46% area of economic growth and income per capita below the average. This factor is indicated as the reason for the difference between the regions of positive economic growth after entering an era of fiscal decentralization. Economic growth was not followed by an increase in per capita income growth significantly. Development expenditure should not only intended for the construction of infrastructure that could stimulate an increase in private investment in the area. Therefore, expenditure should also prioritize economic development infrastructure that can be enjoyed by the public. The local government must strive for economic growth occurs evenly.

According Suryanto (2005: 13), the implementation of fiscal decentralization has not been helpful for improving the well-being of society because of the gap between planning and community needs in the area. According to Abdullah and Asmara (2007), changes PAD significant effect on legislative opportunistic behavior. This means that the reduction in the budgets for education and health show legislative opportunism, as well as the increase in the budget for infrastructure and legislative. Although the overall contribution of PAD to the reception area in the budget is not large, the rise could provide an opportunity for the legislature to fulfill their interests, especially political purposes such as to keep their promises and campaign for re-election in the next period. PAD eventually become a tradeoff when people are burdened with high taxes and levies while allocating only benefit certain parties or groups.

Analysis of the influence of the type and location of the local government to prove the intensity of legislative opportunism related to the region's status as a city or district and is in Java/Bali or outside Java/Bali (Abdullah and Asmara, 2007). The view that the legislative opportunistic behavior outside Java/Bali is greater than in Java/Bali comes from the assumption that the social control of stakeholders outside the government on the implementation of public services and the behavior of legislators are not as good as in Java/Bali. The same thing happened in the county/ city, where the difference between community characteristics and the structure of the revenue implications for different social control. The test results showed that the type of government and the location of government are not statistically significant. This means that the type of government and the location of the government has no influence on the legislative opportunistic. Thus, it is understood that the opportunistic behavior shown by the legislature in the budget process did not differ between the legislature in the city with the county and the legislature in Java/Bali with outside Java/Bali. That is, opportunism through the budget, is called rent-seeking or corruption, conducted by the legislature throughout Indonesia, both in Java/Bali and outside Java/Bali, both by the legislature in the counties administration and city government.

According to Badrudin (2011), capital expenditure in the budget does not affect the society welfare counties/cities in Central Java Province; significant effect on the economic growth of society welfare counties/cities in Central Java Province; and capital expenditures on the budget and economic growth a significant effect on society welfare counties/cities in Central Java Province.

According to Mirza (2012), capital expenditures incurred by local governments and significant positive effect on the HDI in Central Java Province. According Taryono and Ekwarso (2012), there are differences in the average allocation of expenditure directly between the counties/cities gas by not producing oil and gas. However, it does not cause performance reduction of poverty and improvement of

social welfare at the counties/cities of oil-producing and non-producing oil and gas. According Vegirawati (2012), the direct spending impact is not significant to the HDI. According Yandri (2012), public spending has a positive influence on the HDI.

According to Badrudin and Siregar (2015), regional autonomy in Indonesia which has been running nearly 15 years has not been able to improve the welfare of the community. Therefore, this study aimed to evaluate the implementation of regional autonomy in improving the welfare of using capital expenditure and growth as an intervening variable. Data were obtained from 461 regencies and cities in Indonesia for the period 2006-2013. Empirical evidence suggests that decentralization significant effect on capital, growth, and prosperity. Capital expenditures have a significant effect on growth but did not have a significant impact on the welfare of the community. Growth has a significant impact on the welfare of the community.

Hypothesis Development

Based on these explanations then compiled the research hypothesis as follows:

H1:   The capital expenditure has positive influence on people's welfare counties/city in Bali Province.

H2:   There is a difference between capital expenditure in the budget counties and cities in Bali Province.

H3:   There is a difference between society welfare counties and cities in Bali Province.

3.   RESEARCH METHODS

Research Design

The design of this research is explanatory, the research was designed through the stages of collecting the necessary data, the determination of the analytical tools used, and the analysis of the data used.

Research Samples

Stages in selecting the unit of analysis is started by mentioning the population (all counties/cities in 33 provinces in Indonesia). Then choose the counties/cities in 33 provinces in Indonesia that did not undergo expansion to be visible region of originality or authenticity of the territorial integrity of the counties/city since regional autonomy was implemented by 1 January 2001.

Time of the study is from 2001 to 2005. The study period has been chosen since 2001 to 2005 was the first year of implementation of the regional autonomy in January 1, 2001. In general, monitoring and evaluation of the implementation of activities in government for five years is something that should to do so will result monitoring and evaluation for the improvement of the implementation of regional autonomy in the times to come.

Data Collection Technique

All data used in this research is secondary data gathered from relevant agencies including the Ministry of Finance and the Central Statistics Agency (BPS). The data obtained from the various reports/books/compact disc published by the relevant agencies. The article advocates the study were collected through the website in the form of a reference periodicals, books, papers, scientific journals, and research reports. Secondary data collected, researched, discussed and processed by competent parties so that the data is valid.

Research Model

Identification of variables based on empirical and theoretical studies as a reference frame consists of two variables, namely the exogenous and endogenous. Exogenous variables are variables that affect the beginner cause the endogenous variables. Exogenous variables in this study is the capital expenditure budget (X). Variable capital expenditure budget (X) is referred to as an exogenous variable for variable capital expenditure budget (X) diversity is not affected by the variable causes in the system and can not be set causal relationship. In this study, capital expenditure is the expenditure made in the framework of the procurement of tangible fixed assets that have a value benefit of more than 12 months to be used in government activities expressed in decimal units. Value tangible fixed assets referred to the budgeted capital expenditure for the purchase price/wake assets plus all expenditures associated with procurement of the asset until the asset is ready for use. The use of capital expenditure variable in this study refers to the Minister of Home Affairs Number 59 Year 2007 on Amendment Minister Regulation No. 13 Year 2006 on Guidelines for Financial Management Article 53 paragraph (1) and (2). Capital expenditure according to the Regulation of the Minister of Home Affairs Number 13 Year 2006 regarding Guidelines for Financial Management Article 53 paragraph (1) is the expenditure made in the framework of the purchase of fixed assets intangible that has a value benefit of more than 12 months for use in government activities, such as in the form of land, equipment and machinery, buildings, roads, irrigation and networks, and other fixed assets.

Endogenous variables are variables that are influenced by exogenous variables in the model. Endogenous variable in this study is the welfare of the community (Y). Variable welfare of society (Y) is referred to as an endogenous dependent because diversity is explained by exogenous variables. The welfare of society is a condition that shows about the state of a society that can be seen from the living standard expressed in decimal units. Variable welfare of the people in this study is determined by the level of HDI composition. HDI is calculated based on the combination of three dimensions: the dimension of age, educated human dimension, and a dimension of living standards. Dimensions age to live a healthy life measured by life expectancy, human dimension educated measured by the level of literacy of adults and the rate of enrollment in primary, secondary, and high, and the dimensions adequate standard of living as measured by purchasing power parity and the expenditure per capita adjusted real. The research model in this study are as follows:

$$KM = \alpha + \beta\, BM + e$$

information:
KM = Welfare Society
BM = Capital Expenditure
α: constant
β: coefficient parameters for capital expenditure variable
e: confounding variables

4.ANALYSIS TECHNIQUE

Descriptive Analysis

This analysis is used to reveal the picture descriptive field data with how to interpret the results of processing through the tabulation to describe the tendency of empirical data and descriptive as the average value.

Regression Analysis

The first research hypothesis testing using regression analysis using Excel program. The first research hypothesis testing is done to find the value of t-test as an indication to determine whether a significant influence on the capital expenditure to society welfare counties/city in Bali Province. In this study α is set at 5%.

Two Different Average Test Analysis

Testing the second and third research hypothesis using two different test average (t test). using the Excel program. The second research hypothesis testing and the third is done by comparing the value of the probability (P_value) with a significance level (α) used in this test (5%). Testing will accept the null hypothesis (Ho) that states there is no difference in the average population observed if the P_value is greater than α used in the test (5%). Instead, testing will accept the alternative hypothesis (Ha) which states that there are differences in the average population observed if the P_value smaller than α used in the test (5%).

5.   RESULTS AND DISCUSSION

Total expenditure and capital expenditure on the budget throughout counties/city in Bali Province are shown in Table 1 and Table 2 below:

Table 1
Total Expenditure on Counties/City Budget
in Bali Province, 2001-2005 (millions Rupiah)

Counties/City	2001	2002	2003	2004	2005
Tabanan	221.346,95	272.742,02	328.642,88	317.446,23	325.077,92
Klungkung	115.540,57	74.704,58	173.409,93	205.544,11	201.163,49
Karangasem	154.083,85	195.778,00	247.036,26	254.458,48	255.627,05
Jembrana	130.973,21	157.930,85	215.715,91	211.700,30	227.648,25
Gianyar	252.933,53	305.608,47	311.425,70	317.242,92	316.720,52
Buleleng	241.345,55	248.904,10	301.424,80	353.945,49	352.854,43
Bangli	103.624,59	137.086,88	181.840,56	183.671,01	196.920,49
Badung	510.681,14	175.496,67	456.479,35	549.833,71	700.381,72
Denpasar City	262.006,98	321.533,25	357.368,80	349.241,46	352.157,01

Source: Kementerian Keuangan (2014), viewed 19 January 2016, http://www.depkeu.go.id. Data processed.

Table 2

Capital Expenditures on Counties/City Budget in Bali Province,

2001-2005 (millions Rupiah)

Counties/City	2001	2002	2003	2004	2005
Tabanan	17.153,07	29.757,63	39.508,19	19.895,81	13.679,37
Klungkung	7.585,31	2.170,09	40.658,01	41.482,44	36.493,92
Karangasem	9.863,26	16.671,98	42.053,42	27.572,75	20.602,37
Jembrana	9.093,24	14.821,07	39.273,28	27.701,01	32.860,90
Gianyar	14.774,53	15.114,31	24.368,70	33.623,09	26.084,96
Buleleng	16.486,12	12.779,71	28.581,07	44.382,42	33.519,21
Bangli	10.339,48	17.211,93	33.787,88	25.496,84	14.146,53
Badung	56.219,92	76.203,01	96.186,09	108.290,53	109.073,59
Denpasar City	21.563,74	36.311,01	35.528,62	20.334,71	24.558,82

Source: Kementerian Keuangan (2014), viewed 19 January 2016, http://www.depkeu.go.id. Data processed.

Based on data in Table 1 and Table 2 can be calculated the value of the contribution to total capital expenditure on counties/city budget in Bali Province. The results of calculations are presented in Table 3 below:

Table 3

Contributions of Capital Expenditure on Counties/City Budget

in Bali Province, 2001-2005 (%)

Counties/City	2001	2002	2003	2004	2005
Tabanan	7,75	10,91	12,02	6,27	4,21
Klungkung	6,57	2,90	23,45	20,18	18,14
Karangasem	6,40	8,52	17,02	10,84	8,06
Jembrana	6,94	9,38	18,21	13,09	14,43
Gianyar	5,84	4,95	7,82	10,60	8,24
Buleleng	6,83	5,13	15,72	12,54	9,50
Bangli	9,98	12,56	7,40	13,88	7,18
Badung	11,01	43,42	26,92	19,70	15,57
Denpasar City	8,23	11,29	9,94	5,82	6,97

Source: Kementerian Keuangan (2014), viewed 19 January 2016, http://www.depkeu.go.id. Data processed from Table 1 and Table 2.

In general, contributions of capital expenditure on Tabanan, Klungkung, Karangasem, Jembrana, Gianyar, Buleleng, Bangli, Badung and Denpasar budget in 2001-2005 is likely to increase. This indicates that Tabanan, Klungkung, Karangasem, Jembrana, Gianyar, Buleleng, Bangli, Badung, and Denpasar in 2001-2005 to increase the proportion of capital costs to total expenditure for the needs of development funds for investment counties/city governments are increasing. The increase in the proportion of explained also by the data in Table 4 on capital expenditure growth on Tabanan, Klungkung, Karangasem, Jembrana, Gianyar, Buleleng, Bangli, Badung and Denpasar budget in 2001-2005.

Table 4
Growth of Capital Expenditures on Budget
Counties/City in Bali Province, 2001-2005 (%)

Counties/City	2001	2002	2003	2004	2005
Tabanan	73,48	32,77	-49,64	-31,24	323,87
Klungkung	-71,39	1,773,56	2,03	-12,03	65,55
Karangasem	69,03	152,24	-34,43	-25,28	222,22
Jembrana	62,99	164,98	-29,47	18,63	183,77
Gianyar	2,30	61,23	37,98	-22,42	145,09
Buleleng	-22,48	123,64	55,29	-24,48	117,74
Bangli	66,47	96,31	-24,54	-44,52	137,52
Badung	35,54	26,22	12,58	0,72	1,09
Denpasar City	68,39	-2,15	-42,77	20,77	100,35

Source: Kementerian Keuangan (2014), viewed 19 January 2016, http://www.depkeu.go.id. Data processed from Table 2.

Economic growth to be achieved by each counties/city in Bali Province is the quality of economic growth that supports the achievement of human development. The positive correlation of economic growth and human development is reflected in the form of better quality of life throughout society. Therefore, the development in principle should be focusing on all of the assets of the nation, the results of development should be enjoyed by the public more evenly, and its implementation must prioritize institutional framework. Indicators used in the achievement of human development is the Human Development Index (HDI). The following shows the HDI respective counties/city in Bali Province in 2001-2005.

Table 5
Human Development Index Counties/City
in Bali Province, 2001-2005

Counties/City	2001	2002	2003	2004	2005
Tabanan	68,7	70,4	70,9	71,5	72,3
Klungkung	62,9	64,6	66,3	68,1	68,7
Karangasem	57,5	59,3	60,3	61,4	63,3
Jembrana	65,5	68,9	69,3	69,7	70,4
Gianyar	64,4	67,7	68,5	69,3	70,8
Buleleng	63,1	63,9	65,6	67,3	68,1
Bangli	64,4	66,7	67,3	67,9	68,7
Badung	68,2	70,1	70,6	71,2	71,6
Denpasar City	72,1	74,9	74,9	74,9	75,2

Source: Badan Pusat Statistik (2011, p. 196).

Based on Table 5 looks HDI all counties/city in Bali Province from 2001-2005 increased. When linked with the early enactment of the regional autonomy January 1, 2001 as the beginning of the implementation of fiscal decentralization while it can be concluded that the implementation of fiscal decentralization affect the society welfare indicators (HDI). Another thing that can be seen from Table 5 is the HDI for the city is always higher than the HDI for the counties. It can be understood that a more complete facilities for cities such as physical facilities, educational facilities, and health facilities because of the capital expenditure of the city more than the capital expenditure of local governments is evident that the contribution of the capital expenditure to total expenditure Denpasar higher than contributions capital expenditure to total expenditure for each district in Bali Province.

Based on data in Table 2 (capital expenditure on budgets counties/city in Bali Province, 2001-2005) and Table 5 (human development index counties/city in Bali Province, 2001-2005), can be tested by statistical regression test α value is set at 5%. The test is the first study to prove the hypothesis. Based on data in Table 2 (capital expenditure on budgets counties/city in Bali Province, 2001-2005) and Table 5 (Human Development Index counties/city in Bali Province, 2001-2005), can be tested using two different test statistics average value α is set at 5%. The test is to prove the second and third research hypothesis. Based on regression analysis and two different test average, are presented Table 6 on the test results and statistical regression test two different test average.

Table 6

The Hypothesis Testing Results

Hypothesis	P-*value*	Testing Result
H1	0.024	signifikan (*)
H2	0.860	tidak signifikan (*)
H3	0.077	tidak signifikan (*)

Source: Table 3, Table 4, and Table 5. Remarks: *) significant at α = 5%.

The first hypothesis which states that the capital expenditure budget significantly influence society welfare counties/city in Bali Province accepted. Influential capital expenditure budget for the welfare of society counties/ city in Bali Province clearly beneficial to society because of capital expenditure which is partly funded from sources of revenue (PAD) turns utilization affect the society welfare counties/city in Bali Province. This is consistent with the theory that capital expenditure as a component in regional expenditure will be allocated by local governments to fund development activities devoted to the public interest. Local government activities should result in the construction of public facilities such as roads, bridges, telecommunications, electricity, schools, hospital buildings, markets, and various other public facilities that will be used by the community. Several types of public facilities will facilitate the accessibility of the public in conducting economic and non-economic activities, especially in social activities in various public spaces available.

Cause influential capital expenditure budget for the welfare of society counties /city in Bali Province because: 1) Strong coordination between the central government and provincial governments, between the central government and counties/city governments, inter-province, between the counties and city governments, inter-counties, and among cities. Since the implementation of regional autonomy, the policy of macroeconomic stabilization becomes even easier to implement because of the policy of macroeconomic stabilization at the local level (provincial/counties/ city) can support the policy of macroeconomic stabilization of the level of the higher government (center) especially when the governor comes from the same political party that carries the President-elect so that no gaps occur between the planning of the center to the needs of the local community; 2) a carefully allocating capital expenditure as part of the development expenditures for regional development funding sources. Capital expenditure as part of the development expenditure should also be devoted to the interests of the development of infrastructure that could stimulate an increase in private investment in the area. Capital expenditure should also prioritize economic development infrastructure that can be enjoyed by the public so that economic growth occurs evenly (reduce the disparity of economic growth), and ultimately affect the society welfare. These findings support the results of a study Mirza (2012) and Yandri (2012), but does not support the study results Adi (2005), Suryanto (2005:13), Abdullah and Asmara (2007), Badrudin (2011), Vegirawati (2012), and Badrudin and Siregar (2015).

The second hypothesis which states that there are differences in capital expenditure between counties and city in Bali Province rejected. This is understandable because capital expenditure as a component of development expenditure on regional expenditures will be allocated by local governments either counties or cities to fund development activities aimed at the interests of the community counties or city. Local government activities in the counties/city in between to build public facilities such as roads, bridges, telecommunications, electricity, schools, hospital buildings, markets, and various other public facilities that will be used by the community. Several types of public facilities will facilitate the accessibility of the public in conducting economic and non-economic activities, especially in social activities in various public spaces available.

Differences counties and cities are relatively non-existent, except in terms of area and facilities available. Regency is a combination of several districts. The city is also composed of several districts. When compared with counties, cities tend to be more narrow in terms of geography. Another difference is the availability of facilities to live a more complete and modern in the city. If the local government can not be evenly distributed in the provision of living facilities, facilities in the city is almost evenly. Thus, when viewed from the perspective of the city area is narrower than the counties, but for a more complete

facilities available in the city than in the counties resulted in capital expenditure between the counties and the city becomes no different. That is, the narrower the city requires capital expenditure relatively similar to the needs of capital expenditure in the district budget broader due to differences in the required amenities. These findings support the study Abdullah and Asmara (2007) and Taryono and Ekwarso (2012).

The third hypothesis which states that there are differences between the society welfare in counties and city in Bali Province rejected. This is understandable because of the capital expenditure on the budget counties/city in Bali Province was on the second hypothesis stated no difference. When seen in Table 2 of the capital expenditure budget counties/city in Bali Province and Table 5 on HDI counties/city in Bali Province during 2001-2005, its value tends to increase so that the increase in the value of capital expenditure in the budget counties/city in Bali Province and HDI counties/city in Bali Province during the years 2001-2005 in the same direction. This is supported by the results of the first research hypothesis which states that the capital expenditure budget significantly influence society welfare counties/city in Bali Province.

The increase in capital expenditure in the budget counties/city in Bali Province will promote economic growth as the relative value of the GDP change from time to time. The increase in the GDP which showed an increase in people's income will result in an increased allocation of income to consumption needs of primary, secondary, and tertiary so that the local community has become richer, healthier, better educated, and become more better as shown in Table 5 on Human Development Index (HDI) for counties/city in Bali Province show the numbers increasing. These findings support the results of the study Abdullah and Asmara (2007) and Taryono and Ekwarso (2012), but does not support the study results Suryanto which indicates that fiscal decentralization has not been helpful for the improvement of society welfare because the gap between planning and community needs in the area (Suryanto 2005: 13).

6. CONCLUSIONS AND RECOMMENDATIONS

Research Conclusion

Based on the description in the research and discussion, it was concluded that: 1) the capital expenditure on counties/city of APBD significant effect on society welfare counties/city in Bali Province; 2) There is no difference between capital expenditure in the budget counties and cities in Bali Province; and 3) There is no difference between society welfare counties and cities in Bali Province. Means, the counties/city in Bali Province in its efforts to improve development outcomes and society welfare as measured by the HDI has been using a strategy of economic development-oriented economic development model inclusive.

Research Limitations

Limitations of this study is not to distinguish the economic strength of each counties/city in Bali Province. This has led to discussion of the results of the research has not been able to reveal the effect of the economic strength of each counties/city in Bali Province towards an inclusive development model in counties/city in Bali Province.

Research Suggestions

Based on the results of research and discussion, it is recommended 1) for the government of Bali Province and counties/city in Bali Province in order to avoid the development outcomes that are not qualified in future, so in an attempt to increase the rate of economic growth should continue to use the development strategy of development model economic pro-job, pro-poor, pro-equality and pro-environment and 2) for further research, should include Klassen Typology analysis to distinguish the economics strength of each counties/city in Bali Province so will result robust research.

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