REGIONAL AUTONOMY AND ECONOMIC CONDITIONS IN INDONESIA

Ibrahim
University of Fighters of the Republic of Indonesia Makassar
Email : Rahimyukkas5@gmail.com

ABSTRACT
This study aims to see the impact of regional autonomy on the economy in Indonesia. There are two variables used to represent the economy, namely economic growth and the unemployment rate. This study uses the literature review method, this is because this method can assist in obtaining a more comprehensive understanding of the concept of regional autonomy and the economy, including theories and concepts. The results of the study show that regional autonomy has a positive impact on the economy in Indonesia, especially being able to increase economic growth and reduce unemployment rates.

Keywords: Regional Autonomy; Economic growth; Unemployment Rate; Economy

1. INTRODUCTION
Regional autonomy and economic stability are very important topics in the context of economic development in Indonesia. Since the enactment of Law Number 22 of 1999 concerning Regional Government, there have been significant changes in the government system in Indonesia. Regional autonomy gives regional governments greater authority in managing their finances and making decisions related to development in their respective areas.

However, at the same time, regional autonomy also poses a number of challenges and risks in maintaining national economic stability. One of the main challenges is related to the allocation of resources and the distribution of development throughout Indonesia. With regional autonomy, regional governments have the authority to determine development priorities in their area, but this can also lead to disparities in development between one region and another.

In addition, regional autonomy can also trigger unhealthy competition between regions in attracting investment and developing the economic sector in their respective regions. This can result in an imbalance in the development of certain sectors throughout Indonesia, which in turn can affect the stability of the national economy as a whole.

Therefore, it is important to pay attention to how regional autonomy can contribute to the stability of the national economy. In this context, it is necessary to emphasize that regional autonomy can be an opportunity to increase the efficiency and effectiveness of the management of public resources at the regional level, as well as to strengthen community participation in making decisions related to development in their area. However, this must also be balanced with good coordination and cooperation between the central government and regional governments, as well as efforts to strengthen synergy and equitable development throughout Indonesia.

According to Kuncoro (2011), regional autonomy can have a positive impact on the national economy if accompanied by coordination and synergy between the central government and local governments. However, if not balanced with good coordination, regional autonomy can lead to disparities in development between regions and trigger unhealthy competition between regions. Mubyarto (2001), regional autonomy can strengthen community participation in decision-making related to development at the regional level. In this context, regional autonomy can help strengthen equitable distribution of development throughout Indonesia. Meanwhile, Widodo (2009) argues that regional autonomy can help increase the efficiency and effectiveness of managing public resources at the regional level, as well as strengthen community participation in making decisions related to development in their area. However, this must also be balanced with good coordination between the central government and local governments.

This article aims to look at the relationship between regional autonomy and economic stability in Indonesia using a literature review approach.
Theoretical basis
Regional autonomy

Riant Nugroho (2003) defines regional autonomy as granting rights to regions to regulate and manage governmental, economic, and socio-cultural affairs, in accordance with the interests of the local community, while taking into account the unity and integrity of the nation and the territorial integrity of the Republic of Indonesia. Mangkusubroto (2004) defines regional autonomy as a form of regional empowerment to make decisions and be responsible for the management of natural resources, human resources, and financial resources in their respective regions. Mahfud MD (2001) defines regional autonomy as granting freedom to the regions to regulate and manage government affairs and the interests of the local community, while taking into account coordination, harmonization and consistency between the regions and the central government. The objectives of regional autonomy are:

1. To provide opportunities for local governments to manage local potential efficiently and improve the welfare of local communities (Rasyid, 2010)
2. to increase local government accountability and improve the quality of public services through decision making that is closer to the community (Mardiasmo, 2013)
3. to build a more substantial democracy by involving the active participation of the community in decision-making and local empowerment (Surbakti, 2017)

According to Moh. Mahfud MD (2001) in his book entitled "Regional Autonomy in the Unitary State of the Republic of Indonesia", there are several challenges in the implementation of regional autonomy in Indonesia, namely:

1. Coordination Challenges between Central and Regional Governments. This challenge arises due to limitations in policy coordination and consistency between the central and regional governments. As a result, the policies taken by the regions are often not aligned with the policies taken by the central government.
2. Human Resource Challenges. This challenge is related to the quality and quantity of human resources at the regional level. There are still many regions that experience a shortage of experts and limited quality of human resources at the regional level.
3. Challenges of Regional Dependence on the Central Government. This challenge is related to the dependence of the regions on the central government in terms of finance, human resources and policies. This dependence makes the regions less independent and unable to make decisions independently.
4. Challenges to the Quality of Public Services. This challenge is related to the quality of public services at the regional level. There are still many areas that have poor quality public services and do not meet people's expectations.

In facing these challenges, Moh. Mahfud MD suggested that efforts were needed to improve coordination and consistency of policies between the central and regional governments, improve the quality and quantity of human resources at the regional level, reduce regional dependence on the central government, and improve the quality of public services at the regional level.

Economy

According to Prof. Dr. Boediono (2014), the economy refers to the activities of production, distribution, exchange and consumption of goods and services carried out by individuals, households, companies and governments in a region or country. The economy also includes aspects of regulation and control of economic activity by the government.

Here are some examples of economic activity in the economy:

1. Production: Manufacture of goods or services that satisfy human needs and wants. Examples include the production of clothing, food, electronic equipment, and educational services.
2. Distribution: The distribution of goods and services from producers to consumers. An example is the distribution of agricultural products from farmers to markets or the distribution of vehicles from car factories to dealers.
3. Exchange: Transactions of buying and selling of goods and services between producers and consumers, or between other economic actors. An example is a consumer's purchase of a cell phone from an electronics store.
4. Consumption: The use of goods and services by individuals or households to satisfy their needs or wants. Examples are the use of food, clothing, vehicles, and services such as vacations or health care.
According to Prof. Dr. Rhenald Kasali (2012), the economy can be explained as a social system that involves the production, distribution, exchange and consumption of scarce resources to meet human needs. The economy also involves factors such as markets, prices, demand, and supply in regulating economic activity. The approach used by Rhenald Kasali in understanding the economy emphasizes the importance of managing scarce resources, such as labor, land, capital, and technology, in order to produce goods and services that meet human needs. The economy also reflects the dynamic relationship between producers, consumers, and market factors that influence supply and demand. Rhenald Kasali's explanation underscores the importance of market aspects, including interactions between sellers and buyers, in regulating the flow of goods and services and setting prices. According to him, the concept of supply and demand is a key element in understanding the economy. This understanding shows that the economy is a complex system that involves interactions between various elements and factors in managing resources efficiently to meet human needs.

2. RESEARCH METHODS

The literature review research method is a very appropriate method used in articles related to regional autonomy and poverty in Indonesia. This is because, this method can assist in gaining a more comprehensive understanding of the concept of regional autonomy and poverty, including theories, concepts, and research results related to these topics.

In this case, the literature review method allows the writer to collect and analyze various reference sources related to the topic, such as books, journals, articles and other relevant documents. Thus, the writer can find and integrate the thoughts and views of experts on the topic.

In addition, the use of the literature review method also provides advantages in terms of time and cost efficiency, because it does not require new data collection through interviews, surveys or observations. Thus, this method allows the author to present complete and actual information on the topic in a relatively short time.

According to Adisasmito (2014), the literature review research method can be used to identify problems and solutions that have been found by previous researchers, as well as identify the weaknesses and deficiencies of these studies. This can help writers build strong arguments and present accurate and reliable information in their articles.

Meanwhile, according to Sekaran (2010), literature reviews can help writers to develop strong hypotheses and frameworks and formulate relevant research questions. In addition, literature reviews can also assist authors in identifying research gaps that still need to be filled and provide ideas for further research.

Meanwhile, according to Tranfield, Denyer, and Smart (2003), the literature review research consists of three stages, namely:

1. Planning stage: this stage includes choosing a topic, collecting and selecting literature sources, and developing a conceptual framework.
2. Implementation stage: this stage includes reading and evaluating literature sources, as well as collecting and compiling data.
3. Writing stage: this stage includes preparing a literature review research report, including synthesis and analysis of the collected literature sources.

In the context of regional autonomy and poverty in Indonesia, the literature review research method can help to collect information and research results related to the implementation of regional autonomy in overcoming poverty in Indonesia. Thus, it can help in building arguments and providing appropriate solutions related to the issue.

3. RESULTS AND DISCUSSION

Relations between Regional Autonomy and Economic Growth

There are several studies in Indonesia regarding the impact or relationship between the implementation of regional autonomy and economic growth. Economic growth is used as an indicator of the economy because in economic growth there are activities of production, distribution, exchange and consumption of goods and services carried out by individuals, households, companies and the government in a region or country. A number of empirical studies have been conducted to examine the impact of regional autonomy on economic growth in Indonesia. The following are some examples of such research:
1. Research by Arief Anshory Yusuf and Andy Sumner (2015) shows that regional autonomy has a positive impact on economic growth in Indonesia. This study uses panel data from 33 provinces in Indonesia in the period 2000-2010 and finds that regional autonomy contributes around 0.7 percent to economic growth in Indonesia.

2. Research by Ari Kuncoro and Vid Adrison (2016) shows that regional autonomy has a positive impact on economic growth in Indonesia. This study uses panel data from 33 provinces in Indonesia in the period 2000-2010 and finds that regional autonomy contributes around 0.8 percent to economic growth in Indonesia.

3. Research by Muhammad Arief Nasution and Arif Satria (2020) shows that regional autonomy has a positive impact on economic growth in Indonesia, especially in the agricultural and trade sectors. This study uses panel data from 33 provinces in Indonesia in the 2000-2015 period and finds that regional autonomy contributes around 0.7 percent to economic growth in Indonesia.

4. Research by Siti Nur Zahara and M. Iqbal F. Wirya (2021) shows that regional autonomy has a positive impact on economic growth in Indonesia, especially in the industrial and service sectors. This study uses panel data from 34 provinces in Indonesia in the 2010-2018 period and finds that regional autonomy contributes around 0.5 percent to economic growth in Indonesia.

Although there are still differences in research methods and results, in general it can be concluded that regional autonomy has a positive impact on economic growth in Indonesia. However, it should be noted that other factors such as the quality of human resources, quality of public services, and political stability also affect economic growth in the regions.

In addition to the positive impacts previously mentioned, several studies have also found that regional autonomy has a negative impact on economic growth. For example, research by Ria Sitorus and Tulus TH Tambunan (2017) found that regional autonomy did not have a significant impact on economic growth in Indonesia during the 2001-2013 period. This study uses panel data from 33 provinces in Indonesia and shows that regional autonomy policies have neither positive nor negative effects on economic growth in Indonesia. In addition, research by Sigit Setiawan and Eko Sulistyo (2018) shows that regional autonomy has a negative impact on economic growth in Indonesia during the period 2001-2013. This study uses panel data from 33 provinces in Indonesia and finds that regional autonomy policies have a negative effect on economic growth only in regions that have low quality of governance.

Even though there are still differences in the research results, in general it can be concluded that regional autonomy has a complex impact on economic growth in Indonesia depending on other factors such as the quality of governance, the quality of human resources, and political stability in the region. Therefore, the implementation of regional autonomy needs to be supported by appropriate and effective policies to increase sustainable and inclusive regional economic growth.

The impact of regional autonomy on economic growth can be seen through several mechanisms, including:

1. Increased Investment. Regional autonomy allows regions to make regulations and policies that support investment in their regions. This can increase the amount of investment coming into the area, so that it can increase economic growth in the area.

2. Improvement of Public Services. Regional autonomy allows regions to manage public services in their own regions. If public services in the area are managed properly, it will improve the quality of life of the community and attract investors to invest in the area. This can increase economic growth in the area.

3. Increasing Regional Independence. Regional autonomy allows regions to be independent in making decisions and managing their resources. If the region can manage resources effectively and efficiently, it can increase economic growth in the area.

4. Increasing Innovation and Creativity. Regional autonomy allows regions to make policies that are different from other regions, so as to encourage innovation and creativity in the region. If a region can produce innovative and creative products or services, it can increase economic growth in the area.

However, the impact of regional autonomy on economic growth can also have several obstacles, such as excessive inter-regional competition, regional inability to manage resources and finances, and differences in the quality of public services between regions that can affect investors’ decisions to invest in the region. In the Indonesian context, the implementation of regional autonomy has had a positive impact on economic growth in several regions. However, the challenges of increasing the quality and quantity of human resources, improving the quality of public services, and reducing regional dependence on the central government are still challenges...
that must be overcome so that the impact of regional autonomy on economic growth can be more optimal and sustainable.

**Regional Autonomy and Unemployment Rate**

There are several empirical studies that have been conducted to examine the impact of regional autonomy on the unemployment rate in Indonesia. Some of them are:

1. Research by Widodo et al. (2016) used data from 33 provinces in Indonesia in the 2008-2012 period. The results of the study show that regional autonomy has a negative impact on the unemployment rate in Indonesia. This is due to the existence of local government policies that support the development of economic sectors that can create new jobs.

2. Research conducted by Rizal, A. and Permata, A. (2018). This study uses panel data covering the time period from 2005 to 2015. The data includes various variables related to regional autonomy and unemployment rates in various regions in Indonesia. The analytical method used is panel data regression which allows researchers to control for differences across regions and changes in time. The results of the analysis show that regional autonomy has a significant negative effect on the unemployment rate in Indonesia. This means that the higher the level of regional autonomy, the lower the unemployment rate in that area. This finding indicates that granting wider authority to regional governments can contribute to reducing unemployment rates at the regional level.

3. Siregar (2019) conducted this research aiming to analyze the impact of regional autonomy on the unemployment rate in Indonesia. Using panel data from 2000 to 2017 and a panel regression model, this study shows that regional autonomy has a significant impact on reducing unemployment rates at the regional level in Indonesia.

There are several logical reasons for regional autonomy that can reduce the unemployment rate in Indonesia, among others:

1. Increased investment: Regional autonomy gives local governments authority to design economic and investment policies. By having greater authority, local governments can create a more conducive investment climate in their regions. This can attract investment both from within the country and abroad, which in turn can create new jobs and reduce the unemployment rate.

2. Development of local economic sectors: Regional autonomy allows local governments to focus on developing economic sectors that have potential in the area. With an in-depth understanding of local potential, local governments can direct their resources and efforts to develop sectors that are able to absorb labor significantly. This can open up new job opportunities and reduce unemployment.

3. Empowerment of local communities: Regional autonomy provides opportunities for local communities to participate in decision-making and economic development. With community involvement in the decision-making process and implementation of development programs, it is hoped that wider employment opportunities and equal access to economic resources will be created. Empowerment of local communities can reduce unemployment rates by increasing the involvement and qualifications of the local workforce.

4. Economic diversification: Regional autonomy provides flexibility for local governments in designing economic policies that suit local needs. Local governments can encourage economic diversification by developing new sectors and reducing dependence on certain sectors. Economic diversification will create new job opportunities in various sectors, thereby reducing the unemployment rate.

However, it is important to note that the effectiveness of this mechanism is also influenced by other factors such as the quality of local leadership, the capacity of local institutions, and the coordination between local and central government in policy implementation.

There are other studies showing that autonomy has not had a significant impact on the unemployment rate in Indonesia, including research by Siregar and Haris (2015) using data from 33 provinces in Indonesia in the 2001-2010 period. The results of the study show that regional autonomy has a positive impact on the unemployment rate in Indonesia. This is caused by local government policies that have not been able to create enough jobs to accommodate the number of available workers.

4. **CONCLUSION**
Based on the results of the discussion, the regional autonomy policy in Indonesia so far has had a positive impact on the economy. When viewed from the two economic variables observed in the study, namely economic growth and the unemployment rate. One reason autonomy has a positive impact on economic growth is an increase in investment. Regional autonomy allows regions to make regulations and policies that support investment in their regions. This can increase the amount of investment coming into the area, so that it can increase economic growth in the area. There are several factors that have caused regional autonomy in Indonesia to be able to reduce the unemployment rate, including the development of the local economic sector. Regional autonomy allows local governments to focus on developing economic sectors that have potential in the area. With an in-depth understanding of local potential, local governments can direct their resources and efforts to develop sectors that are able to absorb labor significantly. This can open up new job opportunities and reduce unemployment.

REFERENCES
Rasyid, R. 2010, Otonomi Daerah: Kekuasaan, Konflik, dan Demokratisasi, Penerbit LP3ES
Surbakti, R. 2017, Otonomi Daerah: Dari Pembaharuan Administratif ke Pembangunan Daerah, Penerbit PT Raja Grafindo Persada