To Reveal the Impact of Budget on Unemployment in Province of West Java

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To Reveal the Impact of Budget on Unemployment in Province of West Java

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Abstract

This research attempts to find the impact of the government budget on unemployment in West Java. It is conducted from 2006 until 2015. The data used here is secondary data from Centre of Indonesian Statistics (BPS). It consists of a general allocation fund (DAU), specific allocation fund (DAK), profit-share of tax and non-tax fund as independent variables. Meanwhile, set unemployment as the dependent variable. The method of analysis is Panel Regression with Fixed Effect. Because we firstly face awkward result when analyzing model by including all independent variables, then we try to estimate every single independent variable on the dependent variable. Therefore we have four models to dig the problem to its root. Based on the analysis result, it is founded that all independent variables have a negative and significant impact on the dependent variable. It signifies that unemployment can be on the wane due to various budget policies of a nation which directed to the regional development. The bigger the agenda development made, the bigger the decreasing unemployment rate because everybody can be absorbed into employment.

Key words: regional budget; tax; unemployment

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INTRODUCTION

West Java Province is one of the provinces that occupies a prominent position, due to its location adjacent to the Capital of Jakarta. However, the problem of unemployment in the region is quite alarming. Because, the unemployment rate in West Java relatively high, more than 1.7 million people in 2015 (Jabar.bps.go.id, 2017), compared to Central Java amounted to 0.86 million (Jateng.bps.go.id, 2015).

It is also higher if we compared to East Java as many as 906 thousand (Kominfo.jatimprov.go.id, 2017). Whereas taking into account the geographical side that is very bordering on Jakarta, the "development cake" in the center should be enjoyed more by the West Java region.

Among the instruments to reduce unemployment and increase development are the various types of budget programs: General Allocation Funds (DAU) and Special Allocation Funds (DAK).

Officially, the definition of DAU is explained in detail on the Ministry of Finance website (Kementerian Keuangan, 2016b) as follows:

"The General Allocation Fund (DAU) is one of the transfers of government funds to regional governments sourced from APBN revenues, which are allocated with the aim of equitable distribution of financial capacity between regions to fund regional needs in the context of implementing decentralization."

From the explanation above, it is clear that the implementation of the DAU program is aimed at improving economic conditions in the region. The focus is nothing else so that the lives of people outside of big cities can prosper, and reach a level of prosperity. More clearly, the government also offset the DAU budget with DAK. Explained in the Ministry of Finance website (Kementerian Keuangan, 2016a) the details are as follows:

"Special Allocation Funds (DAK) are funds sourced from APBN revenues allocated to certain regions to help to fund special activities which are regional affairs and according to national priorities."

Through the allocation of development funds, both DAU and DAK, the government has been working hard so that problems in the development of various regions can be addressed immediately. Although of course, we cannot possibly finish it quickly. Sometimes we are faced with rational choices to be patient. We need to be optimistic that in reality empirically, various programs that are intensively carried out by the government have a positive impact on improving the quality of people's lives.

It is found that the General Allocation Fund (DAU) and poverty had a negative relationship (Istimal, 2012). Regression analysis in his research proves that when the DAU increases, the poverty rate in Tangerang city falls, although the value is considered relatively small according to the researcher. However, this remains proof that proper development planning can improve the welfare of the community.

On the other hand, we need to know that the sectors that receive the most Special Allocation Funds (DAK) are education, health, and road infrastructure. One research examined the use of DAK in the three sectors and found a uniformity of policies that did not provide opportunities for the possibility of different procedures for the conditions of each region in Indonesia (Usman, Mawardi, Poesoro, Suryahadi, & Sampford, 2008). This phenomenon is a problem. Because the DAK is intended to address inter-regional inequality in terms of public services, we should apply policy adjustments to different conditions and situations. In practice, regional governments are only the passive recipients of these aid funds. The lack of initiative is a crucial problem so that the researchers put forward the idea of a paradigm shift by breaking down authority through decentralization of allocation, coordination, and monitoring the use of funds for the targeted region.

The other findings (Setiyawati & Hamzah, 2007) are somewhat different from those of researchers in general. They found an interesting fact that PAD had a positive impact on economic growth, but DAU had a negative effect. DAK and development spending was seen to show no significant signs of economic growth. But economic growth was found to have a substantial impact in reducing poverty and unemployment with the object of research in 29 districts and nine cities in the East Java Province.

Several researchers have succeeded in presenting empirical facts with the case of the city

of Manado that the General Allocation Fund (DAU) and direct expenditure had a significant negative effect on the poverty rate (Paseki, Naukoko, & Wauran, 2014). Even their findings prove the direct and indirect influence of these two variables on poverty. The indirect impact of the DAU variable and direct spending on poverty are through economic growth. The more the DAU and direct spending increase, economic growth can increase rapidly, poverty decreases and welfare improves.

It is found empirical evidence that Revenue Sharing Funds (DBH) and DAU had a negative effect on poverty in Bali Province (Ismail & Hakim, 2014). But interestingly, DAK actually has a positive impact on the number of poor people. The population was also found not to affect the number of poor people. Meanwhile, the education and health variables proved to have a negative influence on the number of poor people. These things are indeed in line with the reality in the field, that proper education and health can reduce poverty amid society.

A study examined PAD, DAU, and DAK on economic growth and poverty in 33 provinces covering 441 districts/cities in Indonesia (Prasetyo & Aida, 2017). The research results prove that PAD and DAU have a significant impact on increasing economic growth, and reducing poverty whereas DAK was found to have no significant influence on economic growth or poverty.

On the contrary to research before, it is found an empirical result that DAU had a significant negative effect on economic growth (Astria, 2014). While capital expenditure, it has a significant positive effect on economic growth. The findings also show that both the DAU and capital expenditure both have a value of elasticity that is greater than 1. This finding means that the change in the two variables is 1 percent, which will make economic growth change greater than 1 percent.

Other study found evidence that PAD through regional spending was able to reduce poverty (Isramiwati, Rasuli, & Taufik, 2017). While DAU through regional expenditure does not have a significant impact on reducing poverty, Revenue Sharing Funds (DBH) through regional expenditure have a significant effect on reducing poverty. The population through regional expenditure has a significant impact on reducing poverty. Aside from being an intervening variable, it turns out that regional expenditure variables can also affect directly decreasing poverty.

A study presented empirically that DAK has several channels in reducing poverty in the region (Qomariyah, Suharno, & Priyarsono, 2016). Their results show that increasing DAK through road and irrigation improvements can increase fiscal capacity, and reduce poverty in rural and urban areas.

A research found that in 129 districts/cities on the island of Borneo, PAD had a significant positive effect on the independence of a region (Tahar & Zakhiya, 2011). But DAU has a significant negative impact on regional independence. But when the three variables are linked to economic growth, the results are actually not significant. The research author also concluded that the absence of an impact on economic growth due to PAD, DAU, and independence was not directed to drive the economy of the community or the result was not too large on the economic activities of the residents.

In line with previous research, it is found compelling evidence that earnings performance and Regional Original Income (PAD) had a positive effect on regional independence (Hadi, 2017). His research uses the Government Financial Report (LKPD) in Central Java as the object of study. From these findings, we can say that the better the earning performance and PAD of a region, the more independent the area will be.

Indeed, it needs to be stressed that the central government cannot control all regional affairs. Regional budget planning is one of the advances in governance in Indonesia. It is found the conclusion that economic growth, Regional Original Income (PAD), and the General Allocation Fund (DAU) had a significant positive effect on capital expenditure (Munir & Mahdar, 2016). Their research shows the results that helped support the implementation of regional autonomy which allows each region to utilize their PAD and DAU for the benefit of development in their respective areas.

We need to recognize that research by several researchers sometimes shows different results because they use different approaches to research. One study found that PAD proved to have a significant positive impact on the economic growth of districts and cities in Central Java (Putri, 2015). However other variables such as DAU and inflation attract it do not show significant signs of economic growth. The results of research like this are a problem that should not be overstated, because this study only uses panel models with the common effect, without proposing more accurate testing so that the research is less able to explain the phenomenon in more detail related to differences between regions.

In another study, it is also found that DAU had a significant positive effect on employee expenditure (Samau, Rumate, & Londa, 2016). But the influence of the DAU is not apparent in capital expenditure in the Sangihe Islands Regency. Their research also explained that all this time the district government had relied too much on transferring funds from the central government, although its dependence had diminished over the past 3 years. This finding means that the empowerment of regional potential cannot be fully optimized.

It is concluded in a study that PAD, DAU and Profit Sharing Funds had a significant positive effect on regional expenditure (Putra & Dwirandra, 2015). Meanwhile, the DAK does not show a significant sign of regional spending. Their research findings also confirm the absence of flypaper effects in Bali Province which show that local governments are not too dependent on transfer funds in making their shopping formulations.

According to other researchers, the PAD and DAU had a significant positive effect on direct spending whereas DAK was found to have a significant negative effect (Hidayah & Setiyawati, 2014). Their research involved 34 districts/cities in Central Java Province. However, it seems that researchers do not look at the context of differences between districts/ cities that tend to be different so that the method used only panel regression with a common effect, without more detailed testing.

We also found empirical evidence that DAU and DAK had a significant impact on regional expenditure (Gani & Kristanto, 2013). But the difference between them lies in the value of influence: DAU has a positive effect, while DAK is negative. The model they use is panel regression with a common effect involving 55 districts/cities on the island of Sumatra, from 2007 to 2010. Findings like this, namely DAK have a negative impact, again becoming a valuable lesson that sometimes economic research needs to consider various factors, not the procedure in the regression model must be precise, but also empirical facts in the field.

In other research, it is found that only the DAK variable had a significantly positive effect on regional government capital expenditure, but DAU has no impact whatsoever (Machmud, 2013). The object of study is nine districts/cities in the North Sulawesi region, with a period from 2006 - 2010. This one is the same as the other research results that researchers must watch out for: maybe there are things that researchers missed out on, or indeed real conditions related to research objects that face various development problems.

Interestingly, we also found result that PAD and DAU did not affect direct government spending (Supadli, Gunawan, & Tamsah, 2018). Meanwhile DAK has a significant positive impact. Their research was conducted on local governments in West Sulawesi Province. This finding is somewhat different from the results of other expert studies.

Other study found empirical evidence that the DAU, DAK, PAD variables had a significant positive effect on regional government capital expenditure (Juniawan & Suryantini, 2018). The study was conducted on eight districts and one city in Bali Province, for the 2014-2016 budget year.

The trace of the impact of DAU and PAD in the city of Manado, showed us that both DAU and PAD had a significant and positive impact on increasing capital expenditure (Yawa & Runtu, 2015). The higher the DAU allocation, the higher the capital expenditure that can be generated. So even with the increasing amount of PAD produced, it can grow the capacity of the capital city of Manado. This finding was supported by the other that found that DAU, DAK, and PAD had a significant positive impact on capital expenditure (Dewi & Suyanto, 2015). While the variable of economic growth does not have a considerable impact.

The budget is given to the regions has the aim of advancing regional development. DAU, PAD, and DBH proved to have a significant positive effect on the human development index (Widarwanto & Yahya, 2014) whereas DAK and provincial financial assistance have no impact on the human development index. Meanwhile, Basic Service Expenditure (BPD) which acts as a moderating variable can moderate the relationship between DAU, DAK, PAD, DBH, and BKP with the human development index in the districts/cities of the North Sumatra region. After entering the moderating variable, DAK becomes a significant positive effect on HDI whereas the other variables have no impact whatsoever.

This is an unavoidable fact that the implementation of DAU and DAK can sometimes make regions dependent. The impact of DAU and PAD flypaper on 255 districts/cities in Indonesia has been found that the flypaper effect was proven, which indicated that local governments tended to be more responsive to transfer funds than their own PAD (Kusumadewi & Rahman, 2007). Including in determining their regional expenditure, they rely more on DAU than their respective PAD. Even unique, the flypaper effect does not only occur in areas with low PAD but regions with high PAD also.

However, we also need to see the more significant potential of various development budget programs. The impact of tax revenue sharing and its role in reducing poverty sometimes being questioned. Empirical findings prove that the increase in tax revenue sharing, agricultural expenditure, and industrial spending has a significant negative impact on regional poverty (Lisna, Sinaga, Firdaus, & Sutomo, 2014). Their research also confirms that increased fiscal capacity can reduce DAU so that regional dependence on transfer funds is decreasing. Their study involved 23 provinces in Indonesia from 2005 - 2011.

It is clearly stated that various kinds of government funding programs such as DAU, DAK, PAD, and DBH play an essential role in growing the creative industry of a region (Zamzami & Hastuti, 2018). Their research conducted in Jambi Province proved all these variables had a significant positive impact on the processing industry. From this, it was found that development funds are vital in supporting business progress so that the position is still quite important to empower local potential.

Research in other countries needs to be used as a lesson. The exploration of the resilience of local fiscal policy in the state of Florida showed evidence that the spillover effect of changes in the distance in terms of miles in an area, as well as confidence in intergovernmental transfers, determined the financial conditions of various districts there (Guo & Wang, 2017). This finding opens our view that spatial interactions in a region and the size of local savings have a strong relationship because it influences budget policies in the area. As a result, the community's development agenda was affected.

Indeed, it must be admitted that various economic programs to improve the standard of public life cannot be separated from multiple aspects. It is found that political decision roles often determine the number of budget allocations in European governments, both at regional and national levels (Bouvet & Dallérba, 2010). So that not only economic considerations but also involves the political situation that is happening, in various layers of government. Their findings confirm how political factors play a role in translating the concept of development, which will be implemented in the European region. For this reason, as long as the government carries out the people's mandate correctly and adequately, this political aspect will not be a problem.

The regional financial agenda that was rolled out by the government to improve the local economy was essential to be seen as a form of state responsibility to mobilize various economic sectors to accommodate a large number of workers. The higher the development fund, the higher the expected development target is achieved. So when the unemployment in an area is quite massive, we should question it. To what extent large amounts of regional funds have been allocated.

According to BPS data, the number of unemployed people in West Java province is as follows:

Table 1. Number of Unemployment in West Java

Unemployment	Year
1,951,391	2010
1,901,843	2011
1,828,986	2012
1,888,667	2013
1,775,196	2014
1,794,874	2015

Source : (Jabar.bps.go.id, 2017)

From table 1 above, it can be seen that unemployment in West Java is quite massive. So, the authors consider the need for empirical testing related to the role of government in efforts to tackle social problems that often become obstacles to development.

Theoretically, in macroeconomic studies, there is a study that carefully examines the short-term relationship of output deviations from their potential with an increase in unemployment. This theory is called Okun's Law (Ball, Leigh, & Loungani, 2017). In Okun's view, the higher the unemployment, indicating productivity in a region is relatively low. This phenomenon is a development problem that all public policy stakeholders must overcome. Conversely, the higher the economic growth, the issue of unemployment can decline. The role of the government in encouraging economic growth is very crucial.

Many economists have published research related to the role of taxes and government expenditures in encouraging increased economic standards in the community. Several experts conducted a test of government spending and its influence on economic growth in 182 countries in the world. The result is that they concluded that government spending had a positive impact on economic growth, without distinguishing the size and level of economic growth (Wu, Tang, & Lin, 2010). Interestingly, when the study was conducted to differentiate the level of state income and the degree of corruption, it was found that in the case of developing countries, government expenditure did not show its significance. They concluded that corruption was a significant problem in development. So from this finding, we can get an understanding that government conditions that are filled with corruption make the state budget ineffective and vulnerable to abuse.

One study concluded that trade taxation proved to have an inverse relationship with development, especially in countries with weak administrative capabilities (Adam, 2009). The benefits of tax in such states are only the most accessible tool for the government to make a profit. So those trading activities are faced with various difficulties and problems. Because of the openness of trade without the limitation or trade tax will reduce the government's profits to power, the local government used to implement various reasons that manifested injustice so that their cash remained filled. So the amount of tax if accompanied by poor government performance has a negative impact on the economy of the community.

Approximately more than one decade ago, a study found an interesting fact that budget allocations in Bangladesh for some regions were carried out in ways that were not elegant (Huque, 1992). In 12 local government regions, between 1986 and 1990, the utilization of local benefits was channeled with poor administrative capabilities, poor managerial knowledge, and abilities of the regional leaders, and failure to plan for efficient development. As a solution to overcome this problem, he recommended a general improvement in the administrative field, by training local leaders and people's representatives in each region, to expand their capabilities and knowledge to achieve efficient budget management. We cannot doubt that one reason for the high unemployment rate in Bangladesh is that there are errors in budget management in various regions.

Based on the research of previous experts, we can say that the magnitude of unemployment in West Java, which according to BPS in the size of millions, can be called an indication of the lack of optimal productivity in this region. It impressed that labor absorption appears weak, which indicates that there has been an inconsistency with the growth rate of Gross Regional Domestic Product (PDRB). In specific contexts, it is possible that economic growth in this province is supported more by sectors that are not able to absorb a lot of labor, or usually prioritize capital (capital intensive). It could also be that economic

growth is only supported by a handful of very wealthy groups of people, while most of the population does not have any contribution except a little. Such possibilities can arise, due to various facts from the reality that we face in reality.

So, the role of the government cannot be doubted anymore because the natural resources and human resources in West Java are believed to be very large. If the great potential is not maximally empowered, then certainly the results obtained will not be able to become a driver of the regional economy.

Especially in recent times, the implementation of regional autonomy and fiscal decentralization are underway. Regions in Indonesia for example, now have autonomous rights to manage their own finances, without the need to wait for orders from the center. This right is not a result of efforts to minimize the level of misuse of regional development budget allocations. Empirical research in various countries has proven that the implementation of fiscal decentralization and government expenditure is in line with improving people's living standards (Hessami, 2010). When the degree of autonomy of the local government increases, the result is that people's welfare increases. It is a sign that the better lives of citizens are encouraged by an excellent public servant.

It is found a quite exciting fact about fiscal. Some economists concluded in their research that the implementation of fiscal decentralization has indeed resulted in a better quality of government system, but on the other hand, it also contributes to higher income disparities in various regions of the country with weak government systems (Kyriacou, Muinelo-Gallo, & Roca-Sagalés, 2015). It indicates the importance of the role of transparent and accountable government administration so that all public policies can be felt in real terms. The meaning is apparent; the quality of public administration to make an increase in people's welfare is very important. Not just a good development agenda, but it needs to be supported by the performance of a trustworthy institution.

The importance of this research is because we are trying to find out the truth of the empirical impact of the implementation of various development budgets applied by regional governments. Especially West Java as a case example in this research, because there is a lot of confusion that although the province is close to even adjacent to the center of government in Indonesia, the socio-economic empowerment of its people is not optimal. We try to answer these negative issues with a scientific approach, through testing a number of their public planning budgets.

The results of this research are expected to be useful, both in terms of science and operations in detail as follows: *first,* this research is able to enrich our discourse in regional finance, especially in the area of planning and allocation of DAU, DAK and the ability of tax and non-tax revenue sharing. This research has advantages over other studies carried out previously, namely in the form of research on the direct effect of finance aimed at unemployment, because so far the study of regional budgets has always been more focused on its ability to increase regional economic growth through PDRB. Besides, this study also opens our view that the determination of variables in a study requires relevant consideration. It is not only from an econometric perspective but economic theory and facts in general; *second,* the findings in this study can add to the reference in consideration of decision-makers related to the management of regional budget allocations, in overcoming various social problems in the community, specifically unemployment.

RESEARCH METHODOLOGY

The research methodology consists of an explanation of the data sources, data collection, and data analysis methods used to test the proposed hypothesis.

This research uses quantitative data from BPS (Central Bureau of Statistics). It consists of unemployment, DAU (General Allocation Fund), DAK (Special Allocation Fund) data, and tax and non-tax revenue sharing funds, in several areas in West Java province (BPS (Badan Pusat Statistik), 2017). This data is provided free of charge by the government of West Java, as a public reading

material that can be accessed by anyone. Government policy researchers and observers can learn it without any obstacles. The method of data collection in this study was obtained from the budget report provided by the West Java provincial BPS for some regions. The study was conducted from 2006 to 2015.

The regencies and municipalities in West Java included in this study namely: 1) districts: Bogor, Sukabumi, Cianjur, Tasikmalaya, Ciamis, Kuningan, Cirebon, Majalengka, Sumedang, Indramayu, Subang, Purwakarta, and Karawang; 2) Municipalities: Bogor, Sukabumi, Bandung, Cirebon, Bekasi, and Cimahi.

In this study, the data on the number of unemployed is used as the dependent variable or the variable that is affected. While data of Tax and Non-Tax Revenue Sharing, General Allocation Funds (DAU), and Special Allocation Funds (DAK), all three are independent or influencing variables. All of these were obtained from the West Java Central Statistics Agency (BPS) report. The analytical method used in this study is panel regression with fixed effects. The selection of panel regression is considered the most feasible because this research involves a combination of data that is coherent in time and cross-section. To make the analysis more manageable, we convert data into natural logarithms.

One condition before conducting panel analysis is to do some testing first. For example, the selection of feasibility between common effects and fixed effects, then the choice between random effects and fixed effects. This selection indicates how to obtain the accuracy of the model that will be used, to find the accuracy of the results. Panel regression is a combination of time series and cross-section data. With this method, we are expected to be able to find the results of an analysis that is closer to the truth, compared to using only one instrument (Baltagi, 2005).

In this study, the authors began by making a panel regression analysis model. The model is composed of 3 independent variables (Tax and Non-Tax Revenue Sharing, General Allocation Funds (DAU), and Special Allocation Funds (DAK) with one dependent variable (unemployment). All data for each selected region are included as part of the analysis cross-section, but the authors found some problems with the results so that further analysis was carried out with the same model, but the variables were slightly different.

In the second, third, and fourth models, the author deliberately determines the panel regression model for each independent variable with the unemployment variable, to find its effect. This analysis is vital because there is a belief that to see the influence of each of the independent variables, we do not have to rely on entering it in one model. We can make an equation model for one independent variable and one dependent variable. Therefore, the estimation is made into four models.

Model 1 for this study as follows:

$$Unem_{it} = \beta_0 + \beta_1 Taxnon_{it} + \beta_2 DAU_{it} + \beta_3 DAK_{it} + e_{it} \quad (1)$$

Description:
$Unem_{it}$ = Number of Unemployment in period t, for region i
$Taxnon_{it}$ = Tax and Non-Tax Revenue Sharing in period t, for region i
DAU_{it} = General Allocation Funds (DAU) in period t, for region i
DAK_{it} = Special Allocation Funds (DAK) in period t, for region i
$\beta_1, \beta_2, \beta_3$ = coefficient
β_0 = constant
e_{it} = *error term* period t, for region i

Model 2 formed as follows:

$$Unem_{it} = \beta_0 + \beta_1 Taxnon_{it} + e_{it} \quad (2)$$

Description:
$Unem_{it}$ = Number of Unemployment in period t, for region i
$Taxnon_{it}$ = Tax and Non-Tax Revenue Sharing in period t, for region i
β_1 = coefficient
β_0 = constant
e_{it} = *error term* period t, for region i

Model 3 formed as follows:

$$Unem_{it} = \beta_0 + \beta_1 DAU_{it} + e_{it} \quad (3)$$

Description:
$Unem_{it}$ = Number of Unemployment in period t, for region i
DAU_{it} = General Allocation Funds (DAU) in period t, for region i
β_1 = coefficient
β_0 = constant
e_{it} = *error term* period t, for region i

Model 4 formed as follows:

$$Unem_{it} = \beta_0 + \beta_1 DAK_{it} + e_{it} \quad (4)$$

Description:
$Unem_{it}$ = Number of Unemployment in period t, for region i
DAK_{it} = Special Allocation Funds (DAK) in period t, for region i
β_1 = coefficient
β_0 = constant
e_{it} = *error term* period t, for region i

RESULT AND DISCUSSION

From the empirical findings in model 1, we get the following results:

Table 2. Analysis Result of Model 1

Dependent Variable: LUNEM?				
Method: Pooled Least Squares				
Date: 03/22/18 Time: 08:19				
Sample: 2006 2015				
Included observations: 10				
Cross-sections included: 19				
Total pool (balanced) observations: 190				
Variable	Coeff.	Std. Error	t-Statistic	Prob.
C	6.046171	0.794770	7.607448	0.0000
LTAXNO?	-0.096369	0.067096	-1.436284	0.1528
LDAU?	-0.039268	0.077380	-0.507475	0.6125
LDAK?	-0.033191	0.029353	-1.130734	0.2598

R-squared	0.919576
Adj. R-squared	0.909523

From the equation in model 1, we can find out that all the independent variables (tax and non-tax revenue sharing data, DAU, and DAK), have no effect on the number of unemployed people in West Java. This result means that the government's budget policy aimed at increasing development in West Java is not useful or useless.

Table 3. Feasibility Test Results between Common Effect and Fixed Effect

Redundant Fixed Effects Tests			
Pool: ANALISIS			
Test cross-section fixed effects			
Effects Test	Statistic	d.f.	Prob.
Cross-section F	58.674598	(18,168)	0.0000
Cross-section Chi-square	377.346101	18	0.0000

The results of the test of model 1 above are supported by the estimation in table 3. Based on the calculations, the F-count value is 58.674598. In table 2, we know that this study has a denominator of 190 and a numerator of 4. Referring to references, the value of the F-table at the degrees of error α = 1% and α = 5% are 3.48 and 2.45 respectively (Widarjono, 2009).

Thus, the F-count value in table 3 is higher than the standard F-reference table, so that the alternative hypothesis is accepted, namely fixed effect is chosen as the right model.

Similarly, the results of the feasibility test between the selected fixed effects and random effects that meet the requirements are fixed effects.

The results of the analysis are as follows:

Table 4. Feasibility Test Results between Random Effect and Fixed Effect

Correlated Random Effects - Hausman Test			
Pool: ANALISIS			
Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	67.201290	3	0.0000
Cross-section random	67.201290	3	0.0000

Based on table 4 above, it is proven that the chi-square value of the calculation results is 67.201290. While the value of the chi-squares table at the degree of freedom of 3 at α = 1% and α = 5%

are respectively 11.34 and 7.81 (Widarjono, 2009). So it can be concluded that the value of the calculated chi-squares in table 4 is higher than the standard reference chi-squares. Thus, the fixed effect is preferred over random effects. From here we have got a good estimation result and met the econometric standard. All tests have proven its feasibility.

But the findings on the first model can surprise researchers, especially those who have not experienced in economic analysis. Even though the regression procedure meets the requirements, there is a big problem faced. In testing the first model, we find that all independent variables do not affect unemployment.

The main reason for this is because each variable's data has characteristics that cannot be embedded with other data. Of the three independent variables, for example, DAU, and DAK have different specifications. Although each policy in its determination involves central finance, the specs are not the same.

If we believe in the results in model 1, we can be sure that all government policies will be considered not to be significant in reducing unemployment. You could say it is useless, and it might be assumed that the government had been wasting money without results. It could also be in a more extreme context; the ruling government is accused of corrupting public funds. This conclusion obtained from the analysis is problematic. Here we need to re-question not only the regression analysis method must be valid, but it needs to refer back to the economic theory that has been used as a foothold in research.

Seeing phenomena in the field also includes actions that cannot be ignored. We still need to refer to the terms of reference that have been believed by many parties: the government budget plays an essential role in creating community welfare. That is, the test results in model 1, although following the regression method but violate the standard rules in the study of economics. An anomaly in the data often occurs. We cannot discuss anything from the calculation of model 1, because all independent variables do not affect unemployment. Therefore, we go to the next model. The results of the model 2 analysis are as follows:

Table 5. Analysis Result of Model 2

Dependent Variable: LUNEM?				
Method: Pooled Least Squares				
Date: 03/22/18 Time: 08:29				
Sample: 2006 2015				
Included observations: 10				
Cross-sections included: 19				
Total pool (balanced) observations: 190				
Variable	Coeff.	Std. Error	t-Statistic	Prob.
C	5.710489	0.613295	9.311155	0.0000
LTAXNO?	-0.144750	0.053711	-2.694991	0.0077

R-squared	0.918339
Adjusted R-squared	0.909212

From the calculation above, it is known that the tax and non-tax profit sharing variables have a significant negative effect on unemployment. This means that when there is an increase in tax and non-tax revenue sharing funds by 1 percent, unemployment can fall by 0.144 percent. This situation is evidenced by the large t-statistic value of 2.694 which is higher than the standard reference t-table at 1 percent and 5 percent for 2.617 and 1.980, respectively (Widarjono, 2009). The negative sign (-) in the table above shows the negative effect of variable X on Y. R^2 value of 0.91 indicates that the variation of the dependent variable can be explained by the independent variable by 91 percent. While the rest explained other things outside the model. This finding clearly disproves the results of panel regression in model 1 which shows no influence at all.

The results of testing the feasibility of the model have confirmed that the fixed effect is more appropriate than the common effect. The table is as shown below.

Table 6. Feasibility Test Results between Common Effect and Fixed Effect

Redundant Fixed Effects Tests			
Pool: ANALISIS			
Test cross-section fixed effects			
Effects Test	Statistic	d.f.	Prob.
Cross-section F	84.302554	(18,170)	0.0000

Cross-section Chi-square	436.082864	18	0.0000

Based on table 6, it is known that the F-count value is 84.302554. According to table 5, this test has a denominator 190 and numerator as much as 2. The F-count value is higher than the standard F-table reference at 1 percent and 5 percent error degrees which show numbers in a row of 4.79 and 3.07 (Widarjono, 2009). Therefore the common effect is rejected.

Analysis of the feasibility test between fixed effects and random effects also proved exciting results. The table is the following:

Table 7. Feasibility Test Results between Random Effect and Fixed Effect

Correlated Random Effects - Hausman Test			
Pool: ANALISIS			
Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	10.609626	1	0.0011

Based on table 7, it is known that the value of chi-squares in the calculation results is 10.609626. While the critical value of the chi-squares distribution table with a degree of freedom 1 percent and 5 percent respectively are 6.63 and 3.84 (Widarjono, 2009). Then it can be concluded that the value of the calculated chi-squares is greater. So the fixed effect is more feasible than the random effect.

Next, we go into the analysis in model 3. The results are as follows:

Dependent Variable: LUNEM?				
Method: Pooled Least Squares				
Date: 03/22/18 Time: 08:21				
Sample: 2006 2015				
Included observations: 10				
Cross-sections included: 19				
Total pool (balanced) observations: 190				
Variable	Coeff.	Std. Error	t-Statistic	Prob.
C	5.949506	0.749251	7.940599	0.0000
LDAU?	-0.139869	0.055398	-2.524811	0.0125

R-squared	0.917927
Adjusted R-squared	0.908755

Based on the calculations in model 3 above, we can find out that the General Allocation Fund has a significant negative impact on unemployment.

This result means that if there is an increase in the DAU of 1 percent, unemployment can fall by 0.139 percent. This value is reinforced by t-stat which is 2.524 is higher than t-table at 5 percent degree, namely 1980 (Widarjono, 2009). The negative sign (-) in the table above shows the negative effect of variable X on Y. The value of R^2 is 0.91 indicating that the variation in the dependent variable can be explained by an independent variable of 91 percent. While the rest explained other things outside the model. The findings in this model also refute the panel regression results in model 1 which shows that there is no influence from DAU on unemployment.

Testing for model accuracy proves that fixed effects are more appropriate than common effects. The table is as follows:

Table 9. Feasibility Test Results between Common Effect and Fixed Effect

Redundant Fixed Effects Tests			
Pool: ANALISIS			
Test cross-section fixed effects			
Effects Test	Statistic	d.f.	Prob.
Cross-section F	65.802935	(18,170)	0.0000
Cross-section Chi-square	394.317337	18	0.0000

According to the estimation in table 9, the value of F count with the numerator is 2, and the denominator is 190 which is 65.802935. This value is greater than the F-table both at 1 percent error rate and 5 percent for 4.79 and 3.07 respectively (Widarjono, 2009). Therefore, the common effect is rejected.

The comparison test to choose between random effects and fixed effects shows that the first type is the most feasible. The results of the analysis can be seen in table 10.

Table 10. Feasibility Test Results between Random Effect dan Fixed Effect

Correlated Random Effects - Hausman Test

Pool: ANALISIS			
Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	38.524975	1	0.0000

Based on table 10, we get the value of the chi-square of 38.524975. The results of the calculation in table 10, notified that it is higher than the value in the chi-squares table at 1 percent and 5 percent, which are equal to 6.63 and 3.84 respectively (Widarjono, 2009). So that we choose the fixed effect proved to be more feasible than random effects.

The last model, namely the fourth model, for the analysis in this study obtained as follows:

Table 11. Analysis Result of Model 4

Dependent Variable: LUNEM?				
Method: Pooled Least Squares				
Date: 03/22/18 Time: 08:25				
Sample: 2006 2015				
Included observations: 10				
Cross-sections included: 19				
Total pool (balanced) observations: 190				
Variable	Coeff.	Std. Error	t-Statistic	Prob.
C	4.684393	0.265810	17.62309	0.0000
LDAK?	-0.058226	0.024673	-2.359934	0.0194

R-squared	0.917551
Adjusted R-squared	0.908336

From model 4, the calculation results show that the Special Allocation Fund has a significant negative effect on unemployment. From this, we can say if there is an increase in DAK of 1 percent, unemployment can fall by 0.058 percent. This value is strengthened by t-count which is 2,359 which is higher than t-table at 5 percent degree which is 1,980 (Widarjono, 2009). The negative sign (-) in the table above shows the negative effect of variable X on Y. The value of R2 of 0.91 indicates that the independent variable can explain the variation in the dependent variable at 91 percent while the rest explained other things outside the model. This finding refutes the results in model 1 which shows that there is no effect of DAK on unemployment.

A measure of model feasibility finds evidence that fixed effects are more appropriate than common effects. The estimation table can be seen in table 12.

Table 12. Feasibility Test Results between Common Effect and Fixed Effect

Redundant Fixed Effects Tests			
Pool: ANALISIS			
Test cross-section fixed effects			
Effects Test	Statistic	d.f.	Prob.
Cross-section F	100.617379	(18,170)	0.0000
Cross-section Chi-square	466.566956	18	0.0000

The estimation in table 12 shows the calculated F value of 100.617379. This value is higher than the F-table both at 1 percent error rate and 5 percent for 4.79 and 3.07 respectively (Widarjono, 2009). Therefore, the common effect is rejected.

The comparison test between choosing a fixed effect with random effects shows evidence that the fixed effect is more feasible to choose. The estimated results are in the table 13.

Table 13. Feasibility Testing between Random Effect and Fixed Effect

Correlated Random Effects - Hausman Test			
Pool: ANALISIS			
Test cross-section random effects			
Test Summary	Chi-Sq. Statistic	Chi-Sq. d.f.	Prob.
Cross-section random	3.557713	1	0.0593

Based on calculations in table 13, the value of the chi-square was found at 3.557713. The results of this calculation are higher than the value of the chi-squares table at 10 percent, which is 2.71 (Widarjono, 2009). Therefore we can still choose fixed effects, as a more feasible model than random effects.

CONCLUSION

This research has succeeded in showing through scientific instruments that the budget allocation in DAU, DAK, and the distribution of tax and non-tax returns has a negative effect on unemployment in West Java. This finding means

that empirically, all government programs have a real impact on advancing society. The larger the program, the lower the unemployment rate. This estimation is evidence of the improvement of socio-economic conditions of the local community. Increasing unemployment means that there are problems that must be resolved, related to the government's performance in managing the budget for development. Even though we need to be aware that completing unemployment, we still have to consider various things besides administrative matters. Cultural aspects of the community also need to be seen.

In this research, the authors propose evidence that the use of precision regression models is a necessity to obtain robust analysis results. Based on the findings, it turns out that the selection of the correct research model is not always following facts and reality, even though it has fulfilled the element of feasibility. So, in this research, we present several models to be able to be considered by observers and subsequent researchers.

Through this research, we can propose several considerations as suggestions for policies that can be implemented by the government: *First,* the government needs to actively encourage private investment as a complement to long-term development projects. There is not enough government alone to work. It must be the involvement of the private sector in providing employment. So that the entry of investors into West Java is an urgent matter; *second,* conducting training programs and skills for several workforces, especially those who work in labor-intensive industries. We do not turn a blind eye that a large number of the workforce in West Java are still categorized as criteria for uneducated workers. We need to give them an increase in capability and adequate skills to be able to compete in the world of work which increasingly demands increased skills; *third,* to intensify training programs to produce entrepreneurs in West Java. It is one program that can break the unemployment chain, especially for those who are highly educated. We need to appreciate the work of various parties in promoting this entrepreneurial activity radically, so that the young generation of West Java is brave enough to create jobs, rather than just as salary recipients.

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PAGE 1

PAGE 2

PAGE 3

PAGE 4

PAGE 5

PAGE 6

PAGE 7

PAGE 8

PAGE 9

PAGE 10

PAGE 11

PAGE 12

PAGE 13

PAGE 14

PAGE 15

PAGE 16