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DEMOGRAPHIC AND FINANCIAL DYNAMICS IN PRABUMULIH REGION AS THE DEVELOPMENT EXPANSION IMPACT

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Abstract

The process of urbanization leads to the development of rural urban areas, either in the form of transitional area or interactive area, and becomes a site for urban and rural activities aligned, and the natural conditions in the region experiences rapid changes. The construction expansion is expected to create wealth that can be measured through poverty reduction and regional finance improvement. Therefore, the purpose of this study was to examine changes in demographic elements and regional finances in Prabumulih as a result of development in that region. The data used during the data were Prabumulih region data in period of 2000- 2014 for financial data and data of 2010 to 2014 for demographic variables. The quantitative analysis, Pearson Product Moment Correlation (Correlation PPM) was used in order to find out and test the associative hypothesis or relationships among demographic variables used in this study and descriptive analysis to assess the financial condition in Prabumulih region. The findings in this study indicated that the total population which increased due to the development expansion in the process of the urbanization, contributed to the economic development through the poverty reduction and regional finance source improvement in the form of regional income, that showed an increase in the amount of the region's ability to financial expenditure and contributed more to regional income or economic development.

Keywords: Demographics, Finance, Urbanization

1. Introduction

The construction expansion into regions outside of the provincial capital is a phenomenon that also occurred in the South Sumatera Province, Indonesia. The creation of the central region of a new economic growth in the region as a result of the urbanization process is a necessity. The process of the urbanization leads to the development of urban rural suburb, either in the form of transitional area or interactive area, and becomes a site for the urban and rural activities aligned and the natural conditions in the region experience rapid changes.

The expansion construction (the urbanization process) that occurs creating an expected development to create wealth can be measured through poverty reduction and local finance improvement. For example, Prabumulih has experienced a growth, since it was originally a district area and currently transformed into a city. It has developed an increase in the ratio of government locally-generated revenue and Gross Regional Domestic Product for 2001, 2007 and 2013 (Susetyo, 2016) and the reduction of the number of poor people. The poor number in Prabumulih since 2010 and 2014 are as follows 21,000; 20,200; 19,900; 19,400; and 19, 020 (Prabumulih Central Bureau of Statistic, 2016).

Nevertheless, the expansion development also involves the changes or dynamics or changes in other variables that become driving development factors, such as the problems of population (demographics) both quantitatively and qualitatively. Based on the phenomena described, the purpose of this study was to discuss changes in demographic elements and local finances that occurred in Prabumulih as a result of development in the region.

2. Theory

2.1. The Urbanization and Socio-Economic Transformation

One factor leading to the new growth centers in various regions is a process of urbanization. The urbanization is a process of transition from rural to urban areas in the suburbs, it can be seen as a development in the economic growth that influence the change of development. (Sari and Winarso, 2007).

Sari and Winarso (2007) also state that the process of urbanization not only involves the transformation of the economic center but also creates some other issues, which are: (1) Changes in job, growing job which absorbs non-agricultural employment, (2) The transformation of land use, from agriculture to non-agriculture, (3) Changes in population, lead to the expansion area.

2.2. Economic Development

The success of the economy of a country is often measured by its economic growth. The economic growth is a condition in which there is a continual increase in gross domestic product, or total output in a country in the long term (Kuncoro, 2010; Widodo *et al.* 2011). The economic growth is important because it is often used as a measurement standard of living conditions which have improved in the country. As a means of measuring the success of a country's economic performance, the indicators used to measure economic growth change, not only based on how much national product can be used, but also how balance the products produced. These cause some economists prefer to use the term economic development which is considered to be able to capture better growth quality (Kuncoro, 2010).

Many other approaches used by economists to measure economic development, such as Sedano (2008) and Bloom and Williamson (1997) use GDP per capita, Silipo (2009) use the income per capita, Golley and Tyers (2012) use income per capita and GDP real, Huang and Su (2010) use GDP real per capita, Nasir and Tahir (2011) use poverty reduction as an indicator of economic development. The poverty reduction is a picture of welfare experienced by the society, because poverty is a situation where there are people with insufficient income amount (Widodo *et al.* 2011).

2.3. Economic Development, Regional Finance and Demography Dynamism

Economic development growth is supported by various variables which became the capital in the development, among them, demography or human resources or finance. One of the financial variables that affects positively and significantly to the economic growth of the area is the local income or PAD (Tahar and Zakhiya 2011; Barimbing and Karmini, 2015; Suwandika and Workshop, 2015).

Local income is one of the local revenues sourced from the local taxes, levies, income of region company profit and other lawful incomes. The growth of new economic centers or urbanization process as a process of development expansion, expected to be able to improve

the regional revenues which also affect the ability of regional expenditure and local income or economic development of the area.

In addition to using regional income indicators to measure economic success, according to Nasir and Tahir (2011) economic development can also be measured by poverty reduction. Considering the growth conception coupled with prosperity that is consistent with Indonesian development goal, the economic growth model with a society welfare measured by poverty is suitable to use.

Poverty is one of the global problems that plague affects people worldwide and is considered one symptoms of underdevelopment (Usman and Marmara, 2015). Poverty is influenced by population number (Orbeta, 2003), so that the birth rate and death rate are factors affecting the poor people number. Other factor affecting the poor people number is the dependency ratio, the greater the dependency ratio, or less number of the workforce, will increase the number of poor people, since more people must be supported (Nasir and Tahir, 2011), thus the factors that will reduce the poor population number is the working population number. Another factor affecting the poor people number is the increase of life expectancy, which causes population work longer (Silipo, 2009). Economic development with poverty reduction indicator is influenced by many factors, including the demographic variables, namely the birth rate, death rate, age dependency ratio, life expectancy, education, health, and the working population.

Considering that analysis on the spatial dimension in the economy is a must for researchers and economists in the era of contemporary globalization, since the regional and local governments can not be ignored given the self-determination of the people of national influence on government decisions (Alfano, 2009), the focus of this research was the financial condition of a region in Prabumulih Province, in the form of PAD, Regional Expenditure and Gross Domestic Income as well as to examine the relationship among several demographic variables, namely; population number, birth rate, school enrollment rates, working population number and the number of people working in agriculture to economic development, in which the reduction in the poor people number as a development indicator occurs in Prabumulih and it made the difference between this study and previous studies.

3. Methodology

The data used were data of Prabumulih during the period 2000-2014 for financial data, and 2010 to 2014 for demographic variables, with the source data came from an institution or the authorized agency, that was the Central Bureau of Statistics in each territory and other sources. The data used were in the form of local finance variable represented by PAD, Regional Expenditure and Gross Domestic Income and demographic variables, such as population number, the average number of children born alive per woman, the poor number, School Enrollment aged 16-18 years, and working population in the agricultural sector.

This study used a quantitative and qualitative analysis. The quantitative analysis, Pearson Product Moment Correlation (Correlation PPM) was used to find out and test the hypothesis (hypothesis testing) associative or correlations among demographic variables used in this study and the qualitative descriptive analysis were used to assess the financial condition of Prabumulih. The analysis techniques were used to find the relationship, the significant influence of the variables studied.

4. Results and Discussion

In this section, the findings or data processing results would be presented and analyzed. Firstly, financial conditions of Prabumulih would be discussed. Secondly, the results of the data processing of demographic variables that are this research's focus would be presented.

Regional development in Prabumulih is still dominated by the fund contribution from the state budget (APBN) compared with the fund contribution from the local budget (APBD), even though there is an increase in Prabumulih revenue realization. Based on existing data (Planning and Regional Development Board of Prabumulih City. 2014), Prabumulih revenue realization in 2013 reached Rp. 781,836,249,356.87 whereas in 2012 the realization of the budget was Rp.

679,371,547,459.72, this showed an increase of 15.08 percent. The increase also occurred in the regional revenue during the same period as 24.41 percent. Source of revenue realization in 2013 was 6.47 percent of local revenue, tax revenues and other revenues (the last year`s remain budget, donations and assistance and development revenues). The conditions reinforced the important role of regional revenue in the local budget realization. The following Table 1 was the development data of ratio of Local Revenue (PAD) and Local Expenditure and Gross Domestic Regional Product (GDRP) of Prabumulih and displayed as a comparison data with Lubuk Linggau with consideration of having the same characteristics in experiencing the process of urbanization.

Table 1. Data of the Development Data Ratio of Local Revenue and Expenditure and Gross Domestic Product of Prabumulih and Lubuk Linggau

	PAD/Local Expenditure			PAD/ GDRP		
City	2001	2007	2013	2001	2007	2013
Prabumulih	1.14	4.63	5.20	0.27	1.65	1.25
Lubuk Linggau	2.59	4.02	4.90	0.40	1.24	1.17

Source: Directorate General of Regional Fiscal Balance-Ministry of Finance, 2013, cited in Susetyo (2016, p. 91)

Based on the data in Table 1, it showed an increase in ratio of Regional Income and Expenditure and Gross Domestic Product during the period 2001, 2007 and 2013, which indicated an increase of the contribution of PAD in Local Expenditure and Regional Product in both cities. Another finding of this research was that although in 2001 Regional Income and Expenditure and Gross Domestic Product in Prabumulih is lower than in Lubuk Linggau, however in 2007 and 2013 are higher, it was indicated the expansion of development in Prabumulih improved and better than Lubuk Linggau.

Table 2. Some Demographic variables of Prabumulih

Year	Total of poor population	Total population	Average number of child born alive	APS 16-18 years (%)	Working population (%)	Working population in Agriculture sector (%)
2010	21000	161984	1.69	53.03	26.15	37.59
2011	20200	165960	1.76	70.31	24.96	26.24
2012	19900	169022	1.74	71.82	19.77	26.62
2013	19400	171804	1.73	65.07	22.42	22.99
2014	19020	174477	1.68	76.09	23.31	23.22

Source: Prabumulih Central Bureau of Statistic (2016)

Furthermore, the data displayed demographic variables tested in this study (Table 2). Then, Table 3 presented the results of Pearson Product Moment Correlation coefficients between variables of Total population Poor and Working Population. Obtained score 0.543 meant that there was a sufficient correlation between variable of the number of Poor and Working Population. The significance values prove the hypothesis that there was a significant correlation between the two variables.

Based on its significance value, the probability value of 0.05 was smaller than probability Sig or [0.05 <0.344], meaning that it was not significant; it proved that the Working Population did not have significant correlation to the total of poor population. The addition of the number of working population in Prabumulih did not contribute to reducing poverty in the region.

Table 3. Results of Pearson Product Moment Correlation Coefficient between Variables of Total of Working Population and Total of Poor Population

		Total of Poor Population	Total of Working Population
Total of Working Population	Pearson Correlation	1	0.543
	Sig. (2-tailed)		0.344
	N	5	5
Total of Poor Population	Pearson Correlation	0.543	1
	Sig. (2-tailed)	0.344	
	N	5	5

Source: Data collected from Prabumulih Central Bureau of Statistic (2016)

Table 4 presented the results of Pearson Product Moment Correlation coefficients between variables of total of poor population and Working Population. Values obtained were 0.920, meaning that there was a significant correlation between variables of total of Poor Population and Working Population in the agricultural sector. In order to accept the hypothesis, that there was a significant correlation between those two variables, it is based on the significance value.

Based on the significance value, the probability value of 0.05 was greater than the probability value Sig or [0.05 <0.027], meaning that it was significant, it proved that the Working Population in the agricultural sector had a significant correlation to the total of Poor Population, which showed less contribution of the income of working population in the agricultural sector for their welfare (supported data presented in the Table 4). Therefore, nowadays more people are working in non-agricultural sectors in order to improve their welfare. The data of total working population based on the main industry from Prabumulih Central Bureau of Statistic (2016) showed a decrease in the number of working population in the agricultural industry in line with an increase in the number of working population in manufacturing and service industries during the period 2009 to 2014.

Table 4. Results of Pearson Product Moment Correlation between variables of Total of Poor Population and Total of Working Population in Agricultural sector

		Total of Poor Population	Total of Working Population in Agricultural Sector
Total of working Population in Agricultural Sector	Pearson Correlation	1	0.920*
	Sig. (2-tailed)		0.027
	N	5	5
Total of Poor Population	Pearson Correlation	0.920*	1
	Sig. (2-tailed)	0.027	
	N	5	5

Note: *. Correlation is significant at the 0.05 level (2-tailed).
Source: Data collected from Prabumulih Central Bureau of Statistic (2016)

Table 5 presented the results of Pearson Product Moment Correlation Coefficient between variables of the average of total number of children born alive and the total of poor population. The value gained was 0.089 meaning that there was a weak correlation between variables of the average of total number of children born alive and the total of poor population. However, based on the significance value, the probability value of 0.05 is greater than the probability value Sig or [0.05 <0.887], meaning that it was not significant, it proved that the average of the total working Population in the agricultural sector did not have a significant correlation toward the total of Poor Population. The decline in the average of total number of children born alive in Prabumulih during 2011 to 2014 did not experience significant changes, it was supported by the condition of dependency number in Prabumulih still existed until 2014 despite steadily declining, in 2010 the ratio of dependency number was 52.43 and decreased to 50.40 in 2014 (Prabumulih Central Bureau of Statistic, 2016). In addition, the steadily decline

did not affect the number of females working, given the low labor force participation rate (LFPR) of women in Prabumulih while the LFPR of women in Prabumulih respectively, during period 2010 to 2014 were 48.17; 61.00; 48.22; 49.64; 52.70.

Table 5. Results of Pearson Product Moment Correlation Coefficient between Variables of Total Number of Children Born Alive per Women and Total Poor Population

		Total of Poor Population	Average number of Children born Alive
Average number of Children born Alive	Pearson Correlation	1	0.089
	Sig. (2-tailed)		0.887
	N	5	5
Total of Poor Population	Pearson Correlation	0.089	1
	Sig. (2-tailed)	0.887	
	N	5	5

Source: Data collected from Prabumulih Central Bureau of Statistic (2016)

Table 6 presented the results of Pearson Product Moment Correlation coefficients between variables of total of poor population and School Participation Rate. Values obtained were -0.791 meaning that there was a significant correlation between variables of total of Poor Population and Working Population in the agricultural sector. Based on the significance value, the probability value of 0.05 was less than the probability value Sig or [0.05 <0.111], meaning that it was not significant; it proved that the average of the total school participation rate did not have a significant correlation toward the total of Poor Population.

Table 6. Results of Pearson Product Moment Correlation Coefficient between Variables of School Participation Rate and Total of Poor Population

		Total of poor Population	School Participation rate
School Participation Rate	Pearson Correlation	1	-0.791
	Sig. (2-tailed)		0.111
	N	5	5
Total of Poor Population	Pearson Correlation	-0.791	1
	Sig. (2-tailed)	0.111	
	N	5	5

Source: Data collected from Prabumulih Central Bureau of Statistic (2016)

Table 7 presented the results of Pearson Product Moment Correlation coefficients between variables of total population and total of Poor Population. Values obtained were -0.995 meaning that there was a significant correlation between variables of total of Population and total of poor Population.

Table 7. Results of Pearson Product Moment Correlation Coefficient between Variables of Total Population and Total of Poor Population

		Total of Poor Population	Total Population
Total Population	Pearson Correlation	1	-0.995**
	Sig. (2-tailed)		0.000
	N	5	5
Total of Poor Population	Pearson Correlation	-0.995**	1
	Sig. (2-tailed)	0.000	
	N	5	5

Note: ** Correlation is significant at the 0.01 level (2-tailed).
Source: Data collected from Prabumulih Central Bureau of Statistic (2016)

Based on the significance value, the probability value of 0.05 was greater than the probability value Sig or [0.05 <0.000], meaning that it was significant; it proved that the total population had a significant correlation toward the total of Poor Population. The decline in the number of poor population had strong associative correlation with the increase of total population, it was the impact of the construction expansion in Prabumulih. Prabumulih is a city that connects Palembang and Muara Enim, experiencing rapid development that attracts newcomers to the city. Increasing population becomes one of the effects of the strategic location and development that occurs in Prabumulih.

For comparison, the statistical conditions and associative correlation between total poor population and total population in Lubuk Linggau were displayed. Different conditions occurred in Lubuk Linggau, related to the development of the total number of poor population if compared with Prabumulih. If the number of poor population in Prabumulih during the last five years had decreased, respectively, Lubuk Linggau had decreased and increased. After decreased in 2011 and 2012, the total number of poor population in the cities has increased in 2013, and then decreased in 2014.

Table 8. Total number of Poor Population and Population of Lubuk Linggau 2010-2014

Year	Total of Poor Population	Total Population
2010	30900	203004
2011	29690	206419
2012	29220	209593
2013	30730	213018
2014	30180	216270

Source: Lubuk Linggau Central Bureau of Statistic (2016)

Table 9 presented the results of Pearson Product Moment Correlation coefficients between variables of total population and total of Poor Population in Lubuk Linggau. Values obtained were -0.088 meaning that there was a weak correlation between variables of total of poor Population and total Population. Based on the significance value, the probability value of 0.05 was less than the probability value Sig or [0.05 <0.888], meaning that it was not significant; it proved that the total population had a significant correlation toward the total of Poor Population.

As previously described and analyzed, if statistically the total of poor population in Lubuk Linggau unsteadily decreased, then the hypothesis testing of associative correlation showed that the number of poor population and the total population in Lubuk Linggau had weak and insignificant associative correlation. The different results were with the developments in Prabumulih.

Table 9. Results of Pearson Product Moment Correlation Coefficient between Variables of Total Population and Total of Poor Population in Lubuk Linggau

		Total of Poor Population	Total Population
Total Population	Pearson Correlation	1	-0.088
	Sig. (2-tailed)		0.888
	N	5	5
Total of Poor Population	Pearson Correlation	-0.088	1
	Sig. (2-tailed)	0.888	
	N	5	5

Source: Data collected from Lubuk Linggau Central Bureau of Statistic (2016)

5. Conclusion

Based on the analysis of Pearson Product Moment Correlation (Correlation PPM), in order to explore and test the associative or the correlation among variables, it can be concluded that the

average of number of children born alive per woman and total of school participation rate did not have associative correlation toward variables of total of poor population, which was used as variables to measure economic development in the area studied, Prabumulih. Variables of total population had a strong and significant correlation, likewise the correlation between variables of the number of working population in agricultural sector and total of poor population.

The number of additional population as a result of the development expansion in urbanization process had contribution in economic development through reducing the poor population, and increasing local revenue, which showed the improvement of local ability to finance the expenditure and contributed more on regional revenue or economic development.

The findings gave recommendation that it needed applicative policies about job force, population-birth, and education in order to contribute in economic development in the form of reducing poverty as a result of development expansion in Prabumulih area, South Sumatera. In doing so, the roles of local or central government is needed, as the main actors of the legislative and executive of the policy suggested. Based on those recommendations, it is important to apply the policy of remuneration based on the wealth standard, allowances to families in order to increase the quality of life, and education opportunities for mid to low level societies.

The recommendation for the following research was the using of variables of different education level, with consideration that although working-age prevailing in Indonesia based on constitution was fifteen years old above and working population in Prabumulih, the majority with the last education level was senior high school, the working population was still dominated by working force with lower age of school participation rate nationally.

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