The Effects Of The Financial Performance Of Local Governments On The Level Of Welfare

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Abstract : This study tests the effects of the financial performance of local governments on the level of welfare in 25 city/regency in South Sulawesi during 2009-2014. The financial performance is measured by the rate of local autonomy, the effectiveness of local own-source revenue, budget harmony, and budget absorption, while the welfare society measured by the Human Development Index (HDI), unemployment and poverty level. The regression analysis showed that the performance of region autonomy proved to increase the HDI over the next year and to reduce the poverty rate in two and three years ahead, however, does not correlate with the unemployment. The effectiveness of local own-source revenue can lower unemployment at two and three years ahead but failed to increase the HDI and to reduce poverty. Harmony of spending also neglected to raise the HDI and to reduce the level of unemployment, although it can alleviate poverty. The level of budget absorption can improve HDI, and reduce the unemployment at two and three years ahead, but failed to lower poverty. No previous study has comprehensively studied the Effects of Level of regionality autonomy, and effectivity of local own-source revenue to public Welfare, and the moderation effect of Expenditure harmony, budget absorption in relationship between financial performance of local government to public welfare, especially in Indonesia.

Index Terms: Financial Performance, Local Government, HDI, Poverty, Unemployment

1. INTRODUCTION

The previous research on the relationship between the financial condition and the public welfare is not consistent. It has not found a linear relationship between the pattern of government expenditure and the welfare society. Some previous research has documented the facts of which are Mirza (2012) who found that the result of capital expenditures made by the government has a positive and significant relationship with Human Development Index (HDI). Similarly, Swandewi (2014) found that the capital expenditure conducted by the government has indirectly a significant effect on the welfare of the community. On the other hand, the results of Vegirawati (2012) imply that direct spending can not predict HDI. Meanwhile, Astri Nikensari and Kuncara (2013) showed a significant influence on the level of local government spending in the education sector on the HDI. However, local government spending in the health sector did not significantly affect the HDI. Rosnatang (2015) examined the harmony and the absorption ratio to mediate the relationship between the level of financial independence, financial effectiveness, and the welfare of society. She found the level of independence and effectiveness ratio can only improve the welfare of the people from the unemployment indicators alone while failing to improve IPM and reducing poverty. Thus, the financial performance of the region can not be concluded explicitly linearity levels with increasing degrees of public welfare. The spirit of regional autonomy has not been implementation of regional autonomy (UU 32, 2004) and fiscal decentralization which based on the consideration that local government better know the needs and standards of care for people in the region has not been proven empirically. Based on the data, the aggregate budget realization districts/municipalities in South Sulawesi in 2014 has reached 90.87%. The fact indicates that the local government finances have a considerable contribution to the economic activity of society in South Sulawesi. Regional government spending on goods and services meet the needs of government operations should provide income for entrepreneurs in South Sulawesi. The increase in economic activity is then expected to drive economic growth which will then improve the welfare of society. Consistent with the theory that government spending explained that government expenditure on development activities will increase and enhance the level of economic activity of a country (Sukirno, 2006). If it associated with the realization of the budget, the greater the realization of the budget, the greater the impact on the welfare of a region. These facts indicate there is a gap in government spending and the level of social welfare in the context of theoretical and reality. For that reason, this study further examines the previous research by doing two things: makes some of the variables of financial performance as moderating variable and examine the relationship between the variables by testing the lag and lead. The reason why doing interaction effect is that this study considers that financial performance is twofold, performance regarding potential and performance regarding kinetic. The performance of local autonomy and effectiveness of the realization of local own-source revenue are a potential performance. The potential performance will be meaningful to the welfare of society when be realized in the form of kinetic performance, regarding spending effective and optimal. Therefore, the value of the potential performance will look after followed by expenditure which compatible and high uptake. The transition of potential performance to kinetic performance will be tested in the form of interaction. While testing lag-lead is done because most of these expenditures are in the investment form which is its effect on the public will be seen in the next few years. Several previous studies have found partial relationship between variables as follow: First, Level of regionality autonomy, and effectivity of local own-source revenue to public Welfare by Bruijn (2002), Indridason and Wang, (2008), Vanhala and Stavrou (2013), Wahyudin and Solikhah (2017), Sarmento and Renneboog (2016), Aba, Badar, and Michael (2016), Kyeyune, Tauringana, Ntayi, and Korutaro (2016), Sairally (2013). Second, Expenditure harmony, budget absorption to public welfare by Yu and Park (2006), Yuen,P.P. Artie W. Ng, (2012), Yuen and Artie (2012), Callender (2011), Indridason and Wang, (2008), Yang, Brennan, and Wilkinson (2014), Pokharel and Choi (2015), Al-Samman and Al-Nashmi, (2016). No previous study has comprehensively studied the Effects of Level of regionality autonomy, and effectivity of local own-source revenue to public Welfare, and the moderation effect of Expenditure harmony, budget absorption in relationship between financial performance of local government to public welfare, especially in Indonesia.

2 LITERATURE REVIEW AND CONCEPTUAL FRAMEWORK

Local Financial Performance. Performance measurement and indicators are part of the strategic management process. Therefore, as an element of managerial, performance is the key to success. Strategic decisions are prepared through policies to achieve the desired objectives and targets (Jackson and Palmer, 1992 in Batafor, 2011). Financial performance is the achievement of what is planned, both by individuals and organizations. Regional finance, like state finance, which is the subject of a field of study, is not an administrative tool for the implementation of regional government activities. According to Fahmi (2011:2), financial performance is an analysis to see the extent to which a company has carried out its activity well and correctly. Halim (2007), revealing that the ability of local government to manage local finance outlined in the Regional Budget (APBD) which directly or indirectly reflect the ability of local governments to finance the implementation of the duties of government, community development and social services. Furthermore, to measure the ability of local government finance is to perform financial ratio analysis of the budget that has been defined and implemented. Local financial performance can be measured by the level of independence, effectiveness, efficiency of local budgeting, spending harmony, and the level of uptake of the budget (Halim, 2007). The level of effectiveness measures the effectiveness in the realization of local own-source revenue and the achievement of the implementation of an activity or achievements of the district government. The level of harmony illustrates how local governments to prioritize the allocation of funds to the local employement and public services expenditure optimally. The higher the percentage of funds allocated to local personnel expenditure means the percentage of investment expenditure used to provide the economic infrastructure of society tend to be smaller, and vice versa. The level of budget absorption illustrates how local governments can implement and account for the periodic budget on planned activities for a certain period (quarterly, semiannual or annual period). Public welfare. Welfare is a safe, secure and prosperous condition (Poerwadarminta, 2002). In another meaning, if the need for security, safety and prosperity can be fulfilled, it will create prosperity. According to Law Number 11 of 2009, concerning public welfare, public welfare is a condition of fulfilling needs material, spiritual, and social citizens live properly and affordably develop themselves, so they can carry out social functions.The theory of public welfare divided into two (Albert and Hahnel, 1992), namely: the theory of social welfare and economic welfare theory. The theory of social welfare can be classified into utilitarian classical, neoclassical welfare theory, and new contractarian approach. The classical utilitarian approach emphasizes the pleasure or satisfaction (utility). Todaro, Michael and Stephen (2010), more specifically argued that the function of welfare by the following equation:

$$W = w (Y, I, P) \quad \text{......................... (1)}$$

Where W is the welfare, Y is income per capita, I was inequality, and P is the absolute poverty. These three variables have a different significance and should be considered thoroughly to assess welfare in developing countries. Measurement developed is the Human Development Index (HDI). HDI trying to rank with three goals or the final product, the first is the longevity as measured by life expectancy; the second is knowledge as measured by literacy; the third is the standard of living as measured by real income per capita adjusted for purchasing power parity. HDI combines the social and economic data, and therefore HDI makes many countries impose broader measure in the performance of its development, and to focus on economic and social policies more directly into various areas in need of improvement (Todaro et al., 2010). Empirical Overview. Research related to government spending and the government's financial performance which relates to the economic development and welfare of the community has a lot to do. Among other things Widodo, Waridin and Maria (2011) observed in the District and the City of Central Java in 2007-2008, found that spending government public sector (education and health) does not directly affect the HDI or poverty, but simultaneously, public sector expenditure and HDI can affect poverty. The capital expenditures incurred by the government have a positive and significant impact on the HDI. Similarly, research Vegirawati (2012) which examines all districts and cities in South Sumatra in 2010 found that direct spending can not predict HDI. Astri et al. (2013) which examined all provinces in Indonesia in 2007-2008 found that the level of local government spending in the education sector has a significant influence on the HDI. However, local government spending in the health sector did not significantly affect the HDI. Swandewi (2014) studied at the Regency/City Bali Province showed that local financial significant influence indirectly to the welfare of society through harmony budget. Rosnatang (2015) examined the relationship between the level of financial independence, the effectiveness of local own-source revenue and the welfare of society through spending harmony and absorption of the budget in Bone regency (2004 - 2013). She found the rate of Independence and the effectiveness of local own-source revenue through spending harmony did not improve the welfare of the community in all indicators. However, if the model moderated by inflation, it can improve the well-being on all indicators. The research related to economic growth conducted by Syafi'i (2009) in East Java. He proves that government spending to areas of human development, as well as local government consumption, has a role in promoting economic growth. Larengkum, Masinambow and Tolosang (2014) examined in the Talaud Islands documented that expenditure has a positive effect on the GDP Improvement. Wahyuni, Sukarsa and Yuliarmi (2014) examined the Regency / City Bali Provincial Government to prove that the expenditure has a positive and significant effect on economic growth. Conceptual Framework and Hypotheses. The role of local own-source revenue, in the implementation of regional autonomy, is a factor of financial resources that describe the reality of wealth and the ability of local financial resources independently. Increasing local own-source revenue will promote regional budget more flexible towards development activities for the benefit of local communities. The analysis of the financial performance is to be important information especially for policymaking in the local financial management and assess whether the local government successfully manages the financial, and how it impacts the welfare of the community (Nirwana et al., 2014) Financial performance can be seen from two sides of the performance in terms of potential and kinetic performance. The performance of local independence and effectiveness of the realization of local own-source revenue is a potential performance. The effect on the welfare of the public has not seen until realized in the form of kinetic performance, in terms of spending. Therefore, the amount of the value of the potential performance of local finance will look after followed by spending in accordance with the level of harmony and absorption. The transition of potential to kinetic performance seen in the form of interaction. Mean that the potential performance will be meaningful to the welfare of society when local financial is effective and optimal distribution.

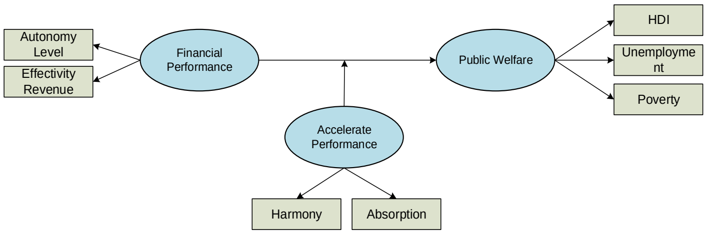

Figure 1. *Conceptual Framework*

Hypothesis development. The effect of regional autonomy on the public welfare. As has been demonstrated in numerous studies that the local government capital expenditures increased activity affect the economy of a region. These conditions will have an impact on social life such as lifestyle, health, education and income per capita communities. Swandewi (2014) studied at the Regency / City Bali Province documented that significant influence local financial autonomy indirectly to the public welfare through the harmony of the budget or public spending. Therefore, it can be said that more and more independent of a local government, the more capable the region set up and organize the construction of facilities and infrastructure that are better suited to the needs of local communities to improve their welfare. The influence of the effectiveness of local own-source revenue to public welfare. Research Ardhini and Handayani (2012) showed that the effectiveness of local own-source revenue in the region of financial management has a positive effect on capital expenditure for public services. Therefore, when the effectiveness of local own-source revenue tends to be more effective, it affects the amount of capital expenditures for public services. Mirza (2012) proved that the capital expenditure incurred by the government has a positive and significant impact on the HDI. The effect of expenditure harmony on the public welfare. The level of expenditure harmony illustrates how local governments to prioritize the allocation of funds to the local employ expenditure and expenditure on public services optimally (Halim, 2007). Expenditure harmony shows the kinetic performance of a local finance which endorses welfare. The higher the percentage of funds allocated to local personnel expenditure means the percentage of investment expenditure (expenditure of public services) used to provide the economic infrastructure of society tend to be smaller. Based on the description, the following proposed a hypothesis. H1: Financial Performance (measured by Level of regional autonomy &r effectivity revenue) has an effect on Public Welfare (measured by HDI, unemployment, and poverty). The moderation effect of budget absorption on the Public Welfare. The level of budget absorption is also a regional financial kinetic performance. Absorption describes how the local government to implement and be accountable for budget periodically. Halim (2007) explains that the absorption of funds per quarter illustrates the ability of local governments to implement it and be periodically on the activities planned for each period. The smaller the budget absorption rate, the smaller the kinetic performance. The role to improve people's welfare will also be small, and vice versa. Based on the description, the hypothesis proposed as follows: H2: Accelerate Performance (measured by budget absorption and high level of harmony spending), as moderator variable in relationship between Financial Performance on Public Welfare

3 METHOD

Sample and Data. The samples were all local governments/municipalities in South Sulawesi, which consists of 25 regencies/cities. The data collected are financial statements sample that includes the report of realization of the budget for 2009-2014 that has been audited by the Audit Board of the Republic of Indonesia. The data taken from the website of each region, the site of the Audit Board of the Republic of Indonesia. While the data of Human Development Index (HDI), Unemployment and Poverty of 2009-2015 obtained from the Central Statistics Agency website.

Variables and Measurement.

Independent variables. The financial performance of local governments is an independent variable in this research. The ratio as below measures the performance:

a. Ratio of level of region autonomy

The ratio of the level of region autonomy or the ratio of local financial independence shows the district's ability to self-finance government activities, development and service to the community. The Independence ratio calculated by dividing total revenue by the total transfers and borrowing. The ratio expressed in the equation:

Local own-source revenue realized
The region autonomy ratio = -- x 100% ……(2)
Transfered+borrowing

b. Effectiveness ratio of local own-source revenue

Effectiveness ratio is the ratio used to measure the effectiveness in the realization of local own-source revenue. Effectiveness ratio is the level of achievement of the implementation of an activity or achievements of local governments as measured by comparing actual revenue to the budget revenues. That relationship expressed in equation form:

Local own-source revenue realized
Effectiveness ratio = -- x 100% ……(3)
Local own-source revenue budgeted

c. Expenditure harmony ratio

Harmony ratio illustrates how local governments to prioritize the allocation of funds to the local employ expenditure and expenditure on public services optimally (Halim, 2007). The higher the percentage of funds allocated to local personnel expenditure means the percentage of investment expenditure (expenditure of public services) used to provide the economic infrastructure of society tend to be smaller. The ratio of harmony formulated as follows:

$$\text{Harmony ratio} = \frac{\text{Public expenditure}}{\text{Total Budgeted}} \times 100\% \quad \text{.....(4)}$$

d. Budgets absorption

The level of budget absorption illustrates how local governments can implement and be accountable for budget periodically on the activities planned. The level of uptake of the budget formulated as follows:

$$\text{Budget Absorption} = \frac{\text{Expenditure Realized}}{\text{Total Budgeted}} \times 100\% \quad \text{......(5)}$$

Dependent variables. The dependent variable in this research is three indicators, respectively measure the level of public welfare:

a. Human Development Index (HDI)

Three indicators measure the Human Development Index: income per capita of the people, life expectancy, and education levels.

b. Unemployment rate

Opened unemployment measured by the number of workers who do not have a job during the years of the study.

c. Number of Poor People

The poor population measured by the number of people who are poor according to the Central Statistics Bureau in the concept of ability to meet basic needs.

Data analyses. This research used descriptive and Structural Equation Modeling (SEM) based on Partial Least Square (PLS) (Solimun , et al. 2017). Descriptive statistics provide a description of the data. SEM is a collection of statistical techniques that simultaneously allow a testing of a complex set of relationships. There are two models, First, the measurement model, how to measure the variables from each indicators, Second, structural model, how to investigate the relationship between variables.

Determining the SEM analysis method using the WarpPLS approach with the following considerations: (1) There are both reflexive and formative models in which WarpPLS can be applied to structural models that involve both reflective and formative indicators, (2) there is a test of mediation variables, where WarpPLS is robust. Data analysis using the SEM analysis model with the GSCA approach, by the reasons: (1). The analysis model is tiered, and the structural equation model meets the recursive model. (2) Measurement of latent variables, i.e. any variables that cannot be measured directly. There are several to test SEM using WarPLS: (1) forming an initial model based on theory, (2) identifying, (3) estimating the model, (4) evaluating the model fit criteria, (5) specifying the model based on the results of the model fit criteria.

4 RESULT AND DISCUSSION

Table 1 presents a summary of descriptive statistics which consists of a minimum value, maximum value, average value, and standard deviation. For variable regional autonomy obtained the average value, 7.82%. Based on the relationship matrix pattern level of independence and financial capacity of the region proposed by Mahsun (2006), the degree of independence of South Sulawesi government region included in the very low category (between 0-25%). For variable local own-source revenue effectiveness obtained an average value of 92.8% indicates a fairly good value. Furthermore, the level of expenditure harmony has an average value of 22.91% (investment expenditure). It means that the percentage of funds allocated to local personnel expenditure 79,09%. The percentage of investment expenditure used to provide the economic infrastructure of society tend to be smaller.

***Table 1**. Descriptive Statistic*

Variable	N	Minimum	Maximum	Mean	SD
INDEP	125	2.20%	39,81%	7.82%	6.17%
EFECT	125	37.35%	169,23%	92.18%	19.39 %
HARM	125	7.83%	61,80%	22.91%	7.51%
ABSOR	125	78.03%	114,53%	91.47%	5.33%
HDI	125	61.45	80.17	71.48	3.82
UNE	125	0.00	15.20	5.68	3.08
POV	125	0.00	107.27	34.64	21.40

For budget absorption rate obtained an average value of 91.47%. The level of budget absorption illustrates how local governments can implement and account for the periodic budget on planned activities for a certain period (quarterly, semiannual or annual period). The higher the ratio, the better the absorption rate of the budget because it demonstrates the ability of local governments to implement and account periodically on the activities that have been planned. For variable rate HDI values obtained an average of 71.48 indicating that the level of Human Development Index in South Sulawesi is quite good. As for the variable total unemployment and poor population obtained an average value of 5.68% and 34.64%, This indicates that there is still a large number of people of South Sulawesi which has a low level of welfare.

Based on Table 2 it is seen that the development of the realization of regional revenue on average for all districts/cities in South Sulawesi showed an increasing trend each year for 6 years (2009-2014). Similarly, budget revenue also increased every year for five years. This trend of increased revenues would have a positive impact on the budget district/city in South Sulawesi and will provide ample opportunity for local governments to be able to realize the programs that have been planned. Furthermore, the transfer of funds and operational funds on average for all districts/cities in South Sulawesi also increased each year during the period 2009 - 2014. On the other hand, capital expenditure has a tendency not to experience an increase in the period 2009-2014. Compatibility between operating expenditure and capital expenditure will have an impact on improving the welfare of society. The higher the percentage of funds allocated to local personnel expenditure means the percentage of capital expenditure (expenditure of public services) used to provide the economic infrastructure of society tend to be smaller.

Table 2. *Financial Performance and Public Welfare Average (25 regencies/cities)*

Year	LORR (Million)	LORB (Million)	Trans (Million)	Oexp (Million)	Cexp (Million)	BudgR (Million)	Budg (Million)	HDI %	Une %	Pov %
2009	30.84	35.80	444.63	364.36	158.97	523.33	568.43	71.30	7.07	37.47
2010	30.49	38.53	531.06	415.61	123.32	538.93	616.44	72.23	8.04	38.00
2011	45.52	52.29	626.79	512.33	139.26	651.60	723.32	72.18	6.24	36.38
2012	57.77	59.12	652.09	553.93	131.09	685.02	737.78	72.85	5.58	33.58
2013	75.14	75.53	753.74	636.90	160.51	797.40	852.17	73.48	4.70	31.30
2014	110.69	111.80	835.71	714.67	201.66	916.34	1,011.28	67.33	4.11	33.60

Note:

- LORR = Local Own-sourceRevenue Realized, LORB = Local Own-sourceRevenue Budgeted, Trans = Transfers, Oexp = Operational expenditure, Cexp= Capital expenditure, BudgR=Budget realized, Budg= Budget,
- HDI= Human Development Index, Une= Unemployment, Pov= Poverty

From Table 2 shows that the HDI in South Sulawesi has increased every year during the period 2009 - 2014. For open unemployment and poverty levels have a tendency to decline every year in the range 2009-2014. Figure 2 presents the statistical results that examine the relationship between variables. The relationship between variables is significant if P < 0.05.

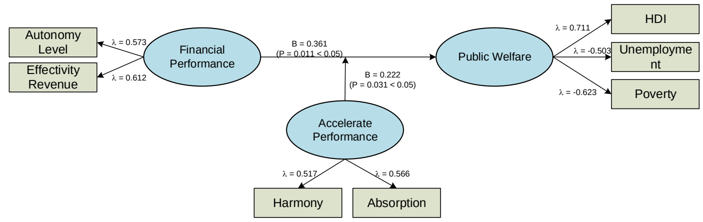

Figure 2. *Analysis Result*

Measurement Model. Financial Performance significantly measured by level of regional autonomy and effectivity revenue with positive signs. This indicates that the high level of financial performance based on the high level of autonomy and high effectivity of revenue. Based on highest coefficient (loading factor), it can be shown that the most powerfull indicator to increase the Financial Performance is Effectivity Revenue. Accelerate Performance significantly measured by budget absorption and harmony spending, with possitive signs. This indicate that the high level of accelerate of financial performance based on the high level of budget absorption and high level of harmony spending. Based on the highest coefficient (loading factor), it can be shown that the most powerfull indicator to increase the Accelerate Performance is budget absorptionPublic welfare significantly measured by HDI, unemployment, and poverty, with positive (HDI), and negative (unemployment and poverty) signs. This indicates that the high level of public wefare based on the high level of HDI, and low level of Unemployment and Poverty. Based on highest coefficient (loading factor), it can be shown that the most powerfull indicator to increase the Public Welfare is HDI. Structural Model. Two hypotheses are testing in this model. First, Financial Performance (measured by Level of regional autonomy & effectivity revenue) has an effect on Public Welfare (measured by HDI, unemployment, and poverty). The relationship between Financial Performance toward Public Welfare, shows that the coefficient of structural equals 0.361 and P equal 0.011 < 0.05. It indicates that the significant and possitive relationship between Financial Performance towards public wefare. The higher value of financial performance, which is reflected in the high value of level of regional autonomy and effectivity revenue, will lead to higher value of public wefare, which looks at the high value of HDI, and low value of unemployment and poverty leve. Second, Accelerate Performance (measured by budget absorption and high level of harmony spending), as moderator variabel in relationship between Financial Performance on Public Welfare. The moderator coefficient show that the value equals 0.222 and P equal 0.031 < 0.05. It indicates that the accelerate performance (budget absorption and harmony spending), as moderator variable in relationship between financial performance (autonomy level, and effective revenue) to increasing the public welfare (increasing HDI, and decreasing unemployment and poverty). These findings do not confirm with Mirza (2012), which proves that the capital expenditure (expenditure harmony) issued by the government has a positive effect on the HDI. While budget absorption has a positive effect on HDI in the current year with a coefficient of 0.629, significant at the 10% level, but not related at one, two, and three years into the future. Implications of budget absorption on the HDI is only visible in the same year. The coefficient value in one year and the next two years is a significant negative, which means changing the relationship between the region autonomy level and HDI to the negative direction. The result differs from the direction of the hypothesis H5a. The hypothesis is not successfully received. Although the effectiveness of the realization of local own-source revenue does not affect on the HDI, when followed by expenditure harmony, it has an effect on the HDI in the next one year. Thus the ratio of expenditure harmony able to moderate effectiveness local own-source revenue in conjunction with HDI. The level of effectiveness of realization of local own-source revenue, budget absorption rate, the interaction between regional autonomy level and budget harmony, and the interaction between the level of effectiveness of realization of local own-source revenue and budget absorption rate, have not affect on the rate of poverty for all time series. In conjunction with poverty reduction, only the performance of region autonomy which affect poverty, though at two and three years ahead. Findings performance regional autonomy proved to increase the HDI over the next year and to reduce the poverty rate in two and three years ahead. The result confirms with Swandewi (2014). The effectiveness of local own-source revenue can lower unemployment rate at two and three years ahead. Expenditure harmony of local government can reduce poverty. The level of budget absorption can improve HDI, and reduce the unemployment rate at two and three years ahead. The resulting support Mirza (2012). Findings region autonomy has no correlation with the level of unemployment, effectiveness of local own-source revenue failed to improve HDI and reducing poverty, expenditure harmony of local government also failed to raise the HDI and reduce the level of unemployment, and the budget absorption fails to lower poverty. Findings are consistent with previous research (Vegirawati, 2012; Astri et al., 2013; Rosnatang, 2015). It concluded that the implementation of regional autonomy in South Sulawesi had not met the mandate of the autonomy law that is expected to optimize the potential of its economy to improve the welfare of society. The inconsistency of the findings can be traced to the data in Table 1. Although the effectiveness of local own-sources revenue reached 92.18% on average, and its absorption 91.47% on average, but the level of local autonomy is just 7.82%. It is too small. Moreover, the degree of expenditure harmonization is 77.09% for operational. The data patterns indicate that the relationship is not linear. Based on the data, the findings indicate that the employment opportunities as a result of government spending can provide income for most people, although the revenue is given have not been able to lift towards the better. The government spending is more dominant to personnel expenditure in the amount of 77.09%. That is why the impact of the spending seen in the second and third year. This is in line with the low effect of harmonization of expenditure on HDI and the reduction of unemployment. The kinetic performance of government finances has not reached the optimal level, it is seen the contradictory results between kinetic performance component, which is budget absorption capable of increasing HDI and lower the unemployment rate, but on the other hand, harmonization spending failed to improve HDI and lower the unemployment rate. The explanation that can be given is that the kinetic performance will be seen the effect on the welfare of the community when harmonization of public sector expenditure is greater than personnel expenditure with a high absorption rate. In general, the two moderating variables failed moderate the relationship between region autonomy, the effectiveness of own-source revenue and HDI, unemployment, and poverty level, except for expenditure harmony able to moderate the effectiveness of own-source revenue in conjunction with HDI. The combination of the effectiveness of own-source revenue and harmonization of expenditure can increase the HDI.

5 CONCLUSION

Based on the analysis and discussion of the results of previous studies, conclusions drawn as follows: Performance regional autonomy proved to increase the HDI over the next year and to reduce the poverty rate in two and three years ahead, however, it does not correlate with the rate of open unemployment. The effectiveness of local own-source revenue can lower the unemployment rate at two and three years ahead but failed to improve HDI and reducing poverty. Expenditure harmony of local government also failed to raise the HDI and reduce the level of unemployment, although it can reduce poverty. The level of budget absorption can improve HDI, and reduce the unemployment rate at two and three years ahead, but failed to lower poverty. In general, the two moderating variables failed moderate the relationship between region autonomy, the effectiveness of own-source revenue and HDI, unemployment, and poverty level, except expenditure harmony able to moderate the effectiveness of own-source revenue in conjunction with HDI. To improve the welfare of the community, recommended local governments to increase the amount of local own-source revenue and allocated with greater public spending with a high uptake. Suggested for further research to examine more in a local policy in allocating their spending. Only the balance of spending can moderate the effectiveness of own local revenue associated with an increase in HDI while other factors fail in an attempt to increase HDI. The increase and decrease in HDI itself are due to the performance of regional autonomy. This research will get optimum results if regional income can be improved and allocated with massive public spending to enhance people's welfare. The implications of this study are the government is expected to: (1) evaluate the regional government of South Sulawesi, especially concerning financial performance on the welfare of the community; (2) be able to contribute as a reference for further research.

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