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Analysis of Fiscal Performance and Regional Financial Management in Increasing Economic Growth in Jember District

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Abstract:- The aims of study were to describe the fiscal performance and regional financial management of the priority sectors of Jember Regency, to determine the effect of fiscal performance as measured by direct expenditure allocations, the ratio of productive population per total population and the ratio of education level (Average Length of School) to economic growth in Regency of Jember and to find out strategies for improving fiscal performance and regional financial management to improve priority sectors in Jember Regency. This type of research was explanatory research. Methods of data analysis useddescriptive analysis, multiple linear regression and SWOT. The results showed that the fiscal performance in Jember Regency showed that the largest contributor to revenue in the structure of the Jember Regency APBD Revenue for the last 5 years is the balance fund post. Fiscal performance as measured by direct expenditure allocations, the ratio of productive population and the ratio of education (RLS) has a significant effect on economic growth in Jember Regency. Alternative strategies to improve fiscal performance and regional financial management by utilizing the power to seize opportunities are carried out by revitalizing the education and health sectors, bureaucratic capacity and the quality of public services; investation; building good and effective governance (good governance).

Keywords:- *Fiscal Performance, Direct Expenditure Allocation, Ratio Of Productive Population Per Total Population, Average Length Of Schooling And Economic Growth.*

I. INTRODUCTION

The role of the government in advancing economic growth is in the form of regional financial management policies. The decentralization autonomy policy aims for regional economic development to develop independently (Nurikhsan, 2007). Fiscal decentralization will increase economic efficiency through the more precise and efficient use of funds from the Regional Budget (APBD). Munir (2002) and Yasa (2014) are in line with the proposition that the key to the success of the fiscal decentralization system is that regional development policies are emphasized on the conditions of need and the specific characteristics of the region concerned by using the potential of existing resources. In addition, with the existence of fiscal decentralization, the regional government has a big role in managing sources of regional revenue to meet public needs and improve public services (Astri, et al. 2013).

The target of fiscal policy must spread to all levels of society and all areas of local government. Fiscal policy instruments through budget allocation are also aimed at priority sectors, because by allocating them to priority sectors that are in accordance with community needs, it will have an effect on increasing regional economic growth. Regional budget allocation should be prioritized to improve the quality of public services more efficiently and effectively and responsively to the needs of Jember Regecy. Fiscal policy instruments in regional revenues. development will not be separated from the development strategy to increase economic growth. The mandatory priority sectors of Jember Regency, namely the education sector and the health sector, are included in the direct budget allocation.

The education sector budget is directly related to the provision of educational services. Craigwell et. al (2012) found that health spending has a significant positive effect on health status, while spending on education does not have a significant effect on either primary or secondary school enrollment. The research objective is to describe the fiscal performance and regional financial management of the priority sectors of Jember Regency, to determine the effect of fiscal performance as measured by direct expenditure allocations, the ratio of productive population per total population and the ratio of education level (average length of schooling) to economic growth in the district. Jember; to find out strategies for improving fiscal performance and regional financial management to improve priority sectors in Jember Regency.

II. LITERATURE REVIEW

➢ *Economic Growth Theory*

According to Kuznets, economic growth is a long-term increase in the ability of a country to provide more types of economic goods to its citizens (Sukirno, 2000: 101). This capacity grows according to technological advances and the necessary institutional and ideological adjustments.

One of the targets of regional economic development is to increase the rate of regional economic growth. Regional economic growth is measured by the growth of Gross Regional Domestic Product (GRDP) at constant prices. One of the theories regarding economic development that has received the most attention and comments is the theory of the stages of economic growth proposed by Rostov, which distinguishes economic development in five stages and every country in the world can be classified into one of the five stages of economic growth.

Harrod-Domar's economic growth theory is a growth theory based on economic growth in developed countries. This theory is a direct development of Keynes's macroeconomic theory which is a short-term theory which later becomes a long-term theory. Solow neoclassical growth theory is a development of the Harrod-Domar theory by adding labor factors and technology independent variables in the growth equation.

➢ *Government Expenditure Theory*

Government expenditure is the consumption of goods and services as well as financing carried out by the government for government administration purposes and activities in an effort to realize development (Wahyuni et al, 2014). Government spending is part of fiscal policy, which is a government action to regulate the running of the economy by determining the amount of revenue and expenditure in the APBN document both nationally and regionally (Sukirno, 2004). The objective of fiscal policy is to stabilize prices, output levels and employment opportunities so that they can spur economic growth. Likewise, on the contrary, when the implementation of fiscal policy in a region. Government spending and financing in a region is implemented on the basis of decentralization, deconcentration and co-administration.

➢ *Fiscal Decentralization Theory*

Fiscal decentralization is one of the main forms and components of decentralization. Bahl (1999: 65) argues that in implementing fiscal decentralization, the principle (rules) of money should follow function is one of the principles that must be considered and implemented. This means that every delegation of governmental authority has consequences on the budget needed to carry out this authority. Regional autonomy without fiscal decentralization does not support the achievement of effective governance and public services (Saragih, 2003: 12).

Kumorotomo (2008: 7-8) explains that fiscal decentralization must consider fiscal policy, especially to support macroeconomic policies, including those related to fiscal sustainability, and still provide room for the central government to correct inter-regional inequalities, so taxing. the power given to the fixed area is not too big. Although the debate about the benefits of fiscal decentralization in Indonesia is still ongoing, there are now high hopes that fiscal decentralization will provide benefits such as improved public services, high economic growth, alleviation of the poor, better macroeconomic management, and a governance system.) better.

➢ *Regional Financial Management*

Regional finance is all the rights and obligations of a region in the context of running a regional government that can be valued in money, including all forms of wealth related to the rights and obligations of the region (Article 1 point 5 of Government Regulation No. 58 of 2005). Based on Article 1 point 6 PP No. 58 of 2005, states that regional financial management is the entire activity including planning, implementation, administration, reporting, accountability and supervision of regional finances. The Regional Revenue and Expenditure Budget (APBD) is an annual regional government financial plan that is discussed and mutually agreed upon by the regional government and DPRD, and stipulated by regional regulations. Regional regulations are regulations established by the DPRD with the joint approval of the regional head. Based on Law No. 33 of 2004 Article 66 paragraph 1, it is explained that regional finances must be managed in an orderly manner, obeying laws and regulations, efficient, economical, effective, transparent and responsible and with due regard for justice, compliance and benefits to the community.

➢ *The Effect of Fiscal Performance on Economic Growth*

The success in supporting the economic growth rate of a region is related to the management of the resources owned by each region. Therefore, the main priority in regional development must be in line with the potential of the region concerned, so that the performance of each potential sector for regional economic growth will be seen as shown in the growth of the GRDP rate and each sector. One of the links between fiscal policy and priority sectors is the aspects of production, consumption and investment that can spur economic growth (Bafadal, 2014). In other words, the fiscal decentralization policy is closely related to the priority sectors of a region because the sectors concerned can contribute to the potential of a region.

The resources mentioned above can be in the form of quality human resources, which can support other resources that will have meaning for an area. Priority sector activities will have a role as a prime mover or what is called the prime mover of an area (Bafadal, 2014). The shape of the priority sector for each region will be different, this can be determined by several factors that influence, for example, the climate and social conditions of the people of a particular area. The region will specialize in a sub-sector or sector and will have absolute advantages for other regions. If the area is managed properly with adequate capital and technology, the region can be expected to experience rapid growth.

Government spending plays an important role, especially in the supply of public goods and services, the availability of public goods and services will also determine the collection of capital or public / private investment, thereby encouraging economic growth. The occurrence of capital accumulation or investment will encourage the production sector to increase and in the end will drive the rate of economic growth (Wagner in Muslim, 2003: 14). Based on the publication by the Central Bureau of Statistics, the government expenditure (Government Expenditure) consists of routine expenditure and development expenditure. Routine expenditures include spending on personnel, shopping for goods, spending on official travel, maintenance spending, unexpected expenses, spending excluding other parts and interest and debt repayments. Development expenditures consist of rupiah financing and project assistance. Meanwhile, government revenue consists of local taxes and levies, tax and non-tax revenue sharing and other legal revenues.

III. METHOD

A quantitative descriptive study is a study that tries to reveal a natural state in a holistic manner. Analysis of the data used is descriptive-quantitative. This study used panel data analysis (pooled data) as a data processing tool with Multiple Linear Regression analysis. SWOT analysis is the systematic identification of various factors to formulate a strategy. This analysis is based on logic that maximizes the strengths (strenghts) and opportunities (opportunities), but at the same time minimizes weaknesses and threats. The strategic decision-making process is always related to making the mission, objectives, strategy and company policies. Thus strategic planning must analyze strategic factors (strengths, weaknesses, opportunities and threats) in existing conditions (Rangkuti, 2006).

IV. RESULTS AND DISCUSSION

The condition of the regional income of Jember Regency can be explained by using the APBD realization data from 2015-2019. The composition of regional income consists of Regional Original Income (PAD), Balancing Fund, and other legal income. Based on the proportions, the development of each component of regional revenue during the last five years has shown a relatively stable trend. The increase in revenue for Jember Regecy and its realization has exceeded the projection targeted in the APBD. The increase in revenue in Jember Regecy is directly proportional to the increase in income obtained from the regional own income account and the balance fund from year to year. The trend of increasing regional income is quite high when compared to Bondowoso Regency, which is the closest area to Jember Regency. The highest revenue for Jember Regency in 2019 was IDR 815,931,626,881.96. Furthermore, the lowest income in Jember Regency is IDR 1.69 trillion and IDR 1.91 trillion.

The largest contributor to revenue in the Jember Regency APBD Revenue structure for the last 5 years comes one of the sources of the balancing fund post. The same thing also happened in other districts / cities where almost 80% of the income was supported by the balancing fund. In Jember Regency, the balancing fund has always increased from 2015 to 2019. In 2015, the growth of balancing funds reached 80.19%, in 2016 there was an increase until 2019. Overall, the proportion of regional income in Jember Regency is supported by the surrounding balance funds. is still the biggest support for regional income. Regional financial performance / capacity can be done using the degree of fiscal decentralization indicator (Reksohadiprojo, 2001). :

Based on the PAD / TPD ratio, it has increased from 2015-2019. This indicates that the degree of fiscal decentralization seen from the ratio of PAD to TPD is getting higher in 2019 because the average DDF level is above 10% per year. The proportion of PAD to TPD with an average per year of 17.45% when viewed from the ratio of relationship patterns and the level of ability / independence of an area, it will be classified as an instructive relationship pattern. So it can be concluded that the level of regional financial independence is still low. This shows that in the era of regional autonomy, the fiscal dependence of regional governments in South Sulawesi on the central government was still high.

The ratio of BHPB to TPD has decreased from 2015-2019. This indicates that the degree of fiscal decentralization seen from the ratio of the BHPB to TPD ratio was getting lower in 2019. The contribution of the region to the TPD during 2015-2019 was 0%. This indicates that the dependence of regions on central finances is completely zero, in other words, there is independence in regional finances. The level of PAD with total expenditure on TPD in Jember Regency explains that PAD with total expenditure during 2015-2019 is 0%. This indicates that the ratio of PAD to total expenditure is increasing. Meanwhile, the comparison of PAD with Indirect Expenditures is explained by the level of PAD and Total Expenditures against TPD in Jember Regency. PAD with indirect spending during 2015-2019 was 0%. This indicates that the ratio of PAD to total expenditure is increasing in other words, there is independence in regional finances.

The form of the model in this study is a linear form. Regression analysis was performed using multiple linear regression method. The estimated equation is:

PE = 0.216 + 0.045 BLJ + 0.082RB + 0.028Edu
Prob. t count = (0.000) (0.000) (0.042) (0.032)
Based on the results of the regression equation test, the following data estimates were obtained:

1. A constant of 0.216 units means that if all independent variables are constant, the economic growth is 0.216 s.
2. The coefficient of direct expenditure allocation is 0.045, which means that for each increase in direct spending of Rp. 1, economic growth will increase by 0.045.
3. The coefficient of the ratio of productive population per population of 0.082 means that for every increase in the

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ratio of productive population to total population of Rp. 1, the economic growth increases by 0.082.

4. The education level ratio coefficient (RLS) of 0.028 means that for each ratio of education level per population of Rp. 1, economic growth decreases by 0.028.

To determine the proportion / contribution of the influence of the independent variable on the dependent variable as a whole, it can be determined by the multiple coefficient of determination test (R2). Judging from the value of the multiple coefficient of determination, the results of the analysis show that the influence of the independent variable direct expenditure allocation, the ratio of productive population and the ratio of education (RLS) simultaneously to economic growth is seen from the value of Adjusted R Square (R2) showing the percentage influence of all independent variables on the variable dependent, where the closer to the value 1, the greater the influence of all independent variables on the dependent variable. Based on the results of multiple regression analysis, it can be seen that the value of Adjusted R Square (R2) is 0.514. This shows that 51.4% of the performance variable can be explained by the independent variables, namely direct expenditure allocation, productive population ratio and education ratio (RLS). While the remaining 48.6% is influenced by other variables outside the variables used.

The strategy for improving fiscal performance and regional financial management to improve priority sectors in Jember Regency is based on a SWOT analysis. Which is used to determine the internal and external conditions of offices or agencies related to improving fiscal performance and regional financial management to improve priority sectors in Jember Regency. (3,685: 2,176). In quadrant I, Jember Regency should implement a stability strategy in improving regional financial performance.

Based on the SWOT analysis, four main strategies can be formulated, as shown in the chart below. First, is the S - O strategy, which is a strategy to use strength to seize opportunities. Second, is the W - O strategy, which is a strategy to suppress weaknesses to seize opportunities. Third, is the S – T strategy, which is a strategy of using strength to overcome challenges. Fourth, the W - T strategy, which is a strategy to suppress weaknesses to overcome challenges. Through such analysis, the strategy is expected to be maximized in utilizing what is available for the future, because it is based on real environmental conditions. This is due to the combination to maximize potential and minimize weaknesses. Thus, the strategy also includes efforts to overcome various problems and improve and increase the existing potential. Consequently, such an analysis model will bring better benefits in the formulation of strategies for improving fiscal performance and regional financial management to improve priority sectors in Jember Regency.

Based on the results of the SWOT strategy analysis, the strategy for improving fiscal performance and regional financial management is more focused on efforts to mobilize sources of regional income that arise as a result of increased economic activity as well as from the various investment programs that have been implemented in previous periods. Regional revenue policies, particularly strategies for improving fiscal performance and regional financial management. The existence of economic growth while maintaining a conducive climate for the development of the business world. Thus, regional fiscal stability can be realized, particularly in providing availability of sources of financing in maintaining the smooth running of regional government and improving the quality of public services.

Regional expenditure policy in 2020 is through efforts to balance the composition of direct expenditure each year, as well as an increase in budget allocations directed more towards financing development programs that lead to efforts to improve public services and public welfare.

V. DISCUSSION

- *Fiscal Performance and Regional Financial Management Priority Sectors of Jember Regency*

Fiscal performance in Jember Regecy is described by measures of direct and indirect income and expenditure. The results of the descriptive analysis explain that the increase in revenue for Jember Regecy and its realization exceeds the projection targeted in the APBD. The trend of increasing regional income is quite high when compared to Bondowoso Regency, which is the closest area to Jember Regency. The largest contributor to revenue in the Jember Regency APBD Revenue structure for the last 5 years comes one of the sources of the balancing fund post.

The local revenue contribution of Jember Regency has not been maximal. This is because seen from the components forming PAD in Jember Regency which consists of regional taxes, levies, and the results of the management of separated regional assets and other legitimate local revenue, it can be seen that the largest component contributing to PAD has been different in recent years. . The proportion of balancing funds in Jember Regecy has fluctuated every year. The general allocation fund is the largest component in the balancing fund in Jember Regency. Meanwhile, the special allocation funds in the last five years showed a relatively increasing percentage. On the other hand, Jember Regecy does not receive balancing funds from the province. The size of the general allocation funds which tends to increase shows the dependence of local governments on the central government. The next component of regional revenue is other legal income which consists of grant income, tax sharing from the province, adjustment funds and special autonomy, financial assistance from the province, and contributions from third parties.

During 2015-2019 there were three main components, namely legal regional income, namely tax revenue sharing from the province, adjustment funds and special autonomy, and financial assistance from the province. Special autonomy and adjustment funds have the largest contribution in the formation of other legitimate income. This component tends to increase in proportion every year. The dominance of direct spending in the spending component in Jember Regency during 2015-2019. This increase was large because of the increase in personnel spending every year.

The component of indirect spending in Jember Regecy consists of spending on interest, spending grants, spending on social assistance, spending on financial assistance, spending on unexpected, and spending on profit sharing. The largest indirect component is grant spending from year to year. This indicates that indirect spending is not only for grant spending, but for other components as expected to prioritize public spending as the subject and object of regional development in Jember Regency. Direct spending has a relationship with Jember Regency government investment. However, from the contribution each year, the contribution of goods and services expenditure is the smallest expenditure in direct expenditure in Jember Regency.

The degree of fiscal decentralization is the level of regional capacity in fiscal independence. A region is said to be eligible to become an autonomous region if one of the conditions has the ability to finance it from its own potential. From the scale of the same degree interval regarding the low Regional Original Revenue to total regional revenue.

In the component of regional financial sources, regional contributions are still the main supplier of regional revenues in districts / cities in East Java, with the largest component being general allocation funds. General allocation funds are funds intended for equal distribution of regional financial capabilities, the DAU calculation is obtained from the basic allocation and fiscal gap. The basic allocation is calculated from the personnel expenditure needs and the fiscal gap obtained from the difference between fiscal needs and fiscal capacity. DAU is the fund with the most elasticity of use, because DAU is used according to regional needs and without any conditions.

However, the problem that occurs is the use of DAU which was originally hoped to be a regional assistance in implementing regional autonomy, however, it turns out that most districts / cities in Indonesia have a value of personnel expenditure of 50% of the total APBD (Sekna Fitra, no year). The problem of regional dependence, which is marked by the high level of balancing funds provided to the regions by the central government from year to year, is a policy problem for the transfer of authority to autonomous regions. One of the requirements for an autonomous region is independence in financing regional development. To achieve independence in development financing, the government and its apparatus under it must explore sources of regional income, either from regional revenue (PAD) or from other sources. These other sources, can be obtained by mobilizing community self-help in material and non-material forms. However, local governments must make the most efficient use of the general allocation funds from the central government, so that the overall regional financial management can be used optimally for the welfare of the community.

- *The Effect of Direct Expenditure Allocation, Productive Population Ratio per Total Population and Education Level Ratio (RLS) on Economic Growth in Jember Regency.*

The results of data analysis on direct expenditure allocations, the ratio of productive population per population and the ratio of education level (RLS) in Jember Regency. The theory of economic growth developed by Rostow connects the development of fiscal performance with the stages of economic growth which in the early stages of the government will require large investments or what is better known as the "big push theory". The results of research on fiscal performance on economic growth will be explained as follows.

The test results show that direct spending has a significant effect on economic growth. The spending policy is a policy in the economy that needs to be implemented when facing a serious unemployment problem. This policy is based on the assumption that in society there are unemployment for various types of production factors. The factors of production are unemployed due to the lack of effective demand from the community. For that, it is necessary to create effective demand, namely by making expenditures greater than revenues. However, when demand is greater than supply, prices will rise (inflation), and inflation is suspected to have a negative impact on economic growth.

Allocation of direct expenditure will increase or decrease economic growth. The fiscal performance of Jember Regency should have a role in economic growth with the assumption that the fiscal performance implications are for productive activities such as infrastructure spending. Expenditures that are productive in nature and in direct contact with the public interest will be able to stimulate the economy. For example, infrastructure development will encourage investment, with investment the economy will develop and create new jobs so that it will absorb unemployment and reduce poverty. However, direct expenditure allocations must be supported by adequate facilities and infrastructure which will affect the level of productivity of the people and which in turn will increase local revenue so as to increase economic growth. (Vegirawaty, 2012).

According to Permendagri No. 13 of 2006, Direct Expenditures are budgeted expenditures that are directly related to the implementation of programs and activities. The program is an elaboration of SKPD policies in the form of efforts that contain one or more activities using the resources provided to achieve measurable results in accordance with the SKPD's mission. Activities are part of a program carried out by one or more work units in SKPD as part of the achievement of measurable targets in a program and consist of a set of actions to mobilize resources in the form of personnel (human resources), capital goods including equipment and technology, funds. , or a combination of some or all of these types of resources as inputs to produce outputs in the form of goods / services.

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Targets (targets) are the expected results of a program or the expected outputs of an activity.

Direct expenditure consists of personnel spending, goods and services expenditures; and capital expenditure. Personnel expenditure for honorarium / wages in implementing regional government programs and activities. Goods and services expenditures are expenditures for the purchase / procurement of goods whose beneficial value is less than 12 (twelve) months and / or the use of services in implementing regional government programs and activities. Purchase / procurement of goods and / or use of services includes spending on consumables, materials / materials, office services, insurance premiums, maintenance of motor vehicles, printing / copying, rental of houses / buildings / warehouses / parking, rental of mobility facilities, rental of heavy equipment, rental of office equipment and equipment, food and beverages, official clothes and their attributes, work clothes, special clothes and certain days, business trips, official travel assignments and repatriation of employees

According to the Regulation of the Minister of Home Affairs No. 27/2013 Regional expenditure must be used for the implementation of government affairs which fall under the authority of the provincial and district / city governments, which consist of mandatory affairs and optional affairs which are stipulated by the provisions of laws and regulations. Expenditures for managing affairs must be prioritized to protect and improve the quality of people's lives in an effort to fulfill regional obligations which are realized in the form of improving basic services, education, health, social facilities and adequate public facilities as well as developing a social security system. The implementation of the mandatory functions is based on the stipulated Minimum Service Standards (SPM).

Expenditures consist of spending on personnel, spending on interest, spending on subsidies, spending on grants and social assistance, spending on tax revenue, spending on state aid, and spending on unexpected. Unpredictable expenditure budgeting is carried out rationally by considering the realization of the 2019 Fiscal Year and the possibility of activities that are unpredictable in nature, beyond the control and influence of the local government.

Direct expenditure budgeting in the context of implementing regional government programs and activities takes into account matters such as the direct expenditure allocation in the APBD which is used for the implementation of regional government affairs, which consists of mandatory and optional affairs. Direct expenditure is set forth in the form of programs and activities, the benefits of which can be directly felt by the community in order to improve the quality of public services and support local governments to the public interest.

Regional Financing According to the Regulation of the Minister of Home Affairs No. 27 of 2013, regional financing consists of Financing Receipts, Financing Expenditures and the Excess Financing (SLIPA) for the current year. In the context of community empowerment, local governments can budget for long-term non-permanent investments. The results of this study are in accordance with the opinion of Boediono (1992) saying that economic growth is also associated with an increase in "output per capita". In this sense the theory must include a theory of GDP growth and a theory of population growth. Because only when these two aspects are explained can the development of per capita output be explained. Then the third aspect is economic growth in a long-term perspective, that is, if during a fairly long period of time, the per capita output shows an increasing trend (Donderdag, 2013).

The direct expenditure allocation has a significant effect on economic growth. This is because direct expenditure allocations are used for expenditures made in the context of purchasing / procuring or constructing tangible fixed assets that have a useful value of more than 12 (twelve) months to be used in government activities, such as in the form of land, equipment and machinery, buildings and buildings. , roads, irrigation and networks, and other fixed assets. Development in the public service sector will stimulate the community to be more active and enthusiastic in working because it is supported by adequate facilities. In addition, investors will also be attracted to the regions because of the facilities provided by the regions.

In a country's economy, government spending plays a very important role in achieving national goals, especially in improving and maintaining people's welfare. This is mainly because the size and composition of the government expenditure budget has a significant impact on aggregate demand and national output, and affects the allocation of resources in the economy. Thus, if the government expenditure budget is realized, it will affect economic growth. The funds that have been available have become idle (middle money), so that the various infrastructures that should have been built are hampered its realization.

The direct expenditure allocation policy is a policy in the economy that needs to be implemented when facing a serious unemployment problem. This policy is based on the assumption that in society there are unemployment for various types of production factors. The factors of production are unemployed due to the lack of effective demand from the community. For that, it is necessary to create effective demand, namely by making expenditures greater than revenues. However, when demand is greater than supply, prices will rise (inflation) and inflation is suspected to have a negative impact on economic growth. The results of this study are consistent with the results of the research of Akanni and Osinowo (2013) and Easterly and Rebelo (2013) who found that direct expenditure allocations can have an effect on economic growth.

The test results show that the ratio of productive population per population has a significant effect on economic growth in Jember Regency. Based on Adam Smith's theory which states that humans are the main production factor that determines the prosperity of the nation. Adam Smith also saw that the allocation of human resources is the starter of economic growth. Adam Smith thinks that economic growth rests on population growth. With population growth, there will be an increase in output and an increase in yield (Christiawan et al, 2015). This theory is supported by Sukirno (2010; 429), that the increasing population from time to time can be a driver or even a barrier to economic growth. The impetus arising from population development on economic growth originates from the increase in market area.

Population development causes the large market area of the goods produced by the company to become large as well. Then population development will give rise to an increase in national production and levels of economic activity. The bad consequences of the rapid population growth on economic growth are faced mainly by people whose economic progress is not high but who have faced the problem of overpopulation. A country is seen as facing the problem of overpopulation if the population is not balanced with other available production factors. The results of this study support Adam Smith's theory where this is due to the condition of the population of Jember Regency. It can be seen that in the young age group the proportion of labor is relatively larger and the increasing age shows that the proportion of labor is increasing. This condition occurs in addition to the death, also because the age structure of the population of Jember Regency is still classified as the intermediate population category or is shifting from the young population to the old population so that it affects productivity in its contribution to increased output in Jember Regency.

The test results show that the ratio of the level of education as measured by RLS has a significant effect on economic growth in Jember Regency. This means that the higher the education, the higher the economic growth. This is in accordance with the relationship with human capital in economic terms which are often used for the fields of education, health and various other human capacities which when increased can increase productivity. Education plays a key role in the ability of an economy to adopt modern technology and in building its capacity for sustainable development and growth. Success in education also depends on the adequacy of health. Besides, health is a prerequisite for increasing productivity. Thus, health and education can also be seen as vital components in growth and development as inputs for the aggregate production function (Todaro, 2002).

According to Mill (in Todaro, 2002), economic development is highly dependent on two types of improvements, namely improvements in the level of public knowledge and improvements in the form of efforts to remove obstacles to development such as customs, beliefs and traditional thinking. Improvement in education, advancement in science, expansion of specialization and improvement in the organization of production are important factors which will improve the quality and efficiency of the factors of production and ultimately create economic development. According to Mill, the educational factor carries out two functions, namely: enhancing the technical knowledge of society and enhancing general knowledge. Education can create modern views and habits and play a big role in determining the economic progress of society.

According to Mankiw (2003) human capital is the knowledge and abilities obtained by workers through education ranging from programs for children to on the job training for adult workers. Like physical capital, human capital increases the ability to produce goods and services. To increase the level of human capital requires investment in the form of teachers, libraries and study time.

Becker (1993) argues that the theory of human capital has become the thinking of many parties as humanity has succeeded in controlling the rate of population growth, responding to Malthus' concern that there will be a disaster for mankind if the population continues to increase. Human capital theory basically discusses the process of formulating the forms of investment that can be invested in humans, because humans are recognized as one of the resources needed in the production of goods and services in the economy.

Samuelson and Nordhaus (2001) state that labor input consists of the quantity and skills of labor. Many economists believe that the quality of labor input namely skills, knowledge and labor discipline is the most important element in economic growth. A country that can afford a variety of sophisticated equipment but does not employ skilled and trained labor will not be able to utilize these capital goods effectively. Improved literacy, health and discipline and the ability to use computers greatly increase labor productivity.

In its development, the Neo Classical model has been criticized by the Endogenous Growth Model, which was initiated by Romer (1986) and Lucas (1988) (Todaro, 2002) which assumes a constant or increasing rate of return on capital. Endogenous Growth Theory establishes an endogenous component of technological development as an integral part of growth theory. This theory also attempts to explain the divergent observations of per capita income of various countries where the Neo Classical model failed to establish. Factors such as human capital and research and development spending are combined as a major component of economic growth in the model.

Growth in physical capital may spill over into human capital through private investment in research and development and training in higher technology that is in technology-driven growth. To be able to sustain the growth of the workforce a large part (and its increasing size) must have a sufficient public school background in order to master technology skills and participate in the expansion of research and development activities. Therefore, the public schools that are provided publicly and the knowledge generated privately are complementary.

Ranis and Stewart (2002) suggest that human development is broadly defined as enabling people to live longer, healthier and fuller lives. Narrowly, human development is interpreted as a reflection of human health and education status. The relationship between economic growth and education is a strong two-way relationship. On the one hand, economic growth provides the resources that allow for the sustainable development of human development. Meanwhile, the sustainable development of the quality of human capital is an important contributor to economic growth. The relationship between economic growth and education takes place through job creation. This aspect is very important because in fact job creation is the main bridge linking the two (UNDP, 1996)

According to Ranis and Stewart (2002), the top-down relationship between economic growth and education shows that through human development efforts basic abilities and skills. The workforce including farmers, entrepreneurs and managers will increase. In addition, human development will affect the type of domestic production, research activities and technological development which ultimately affect the composition of a country's output and exports. The strong reciprocal relationship between economic growth and education will also be influenced by government institutional factors, the distribution of private and public resources, social capital, non-governmental organizations and mass organizations. The role of government institutional factors has a clear role because their existence greatly determines the implementation of public policy. The resource distribution factor is also clear because without an even distribution of resources (for example in control of land or other economic resources) it will only lead to community frustration in the policy-making process of government systems and behavior. All of these factors act as catalysts for the operation of the reciprocal relationship between the two efficiently.

➢ *Improvement of Fiscal Performance Strategy and Regional Financial Management to Increase Priority Sectors in Jember Regency*

Based on the results of the SWOT analysis, various alternative strategic steps have been obtained to improve fiscal performance and regional financial management in Jember Regency, which is seen from the Grand Strategy Matrix showing that the strategy for increasing PAD in Probolinggo Regency is in quadrant I. This shows that the condition of the Jember Regency government is facing There is a huge opportunity to improve fiscal performance and regional financial management, but on the other hand, they also face various internal constraints or weaknesses. Therefore, seeing such conditions, the right strategic priorities to be implemented in an effort to improve fiscal performance and regional financial management in Jember Regency are the S-O strategy, including:

a. Revitalizing the Education and Health Sector;
b. Increase Bureaucratic Capacity and Quality of Public Services;
c. Increase Investment;
d. Building good and effective governance (good governance) by increasing the budget bus apparatus;
e. Build coordination in harmony with the central government
f. Increasing the availability of laws and regulations that support the transparency of financial reports

VI. CONCLUSIONS AND SUGGESTIONS

Based on the results of the data analysis, the conclusions wereas follows: 1) Fiscal performance in Jember Regency showed that the largest contributor to revenue in the structure of the Jember Regency APBD Revenue for the last 5 years is the balance fund post. The proportion of regional income in Jember Regecy is supported by the balance fund. The contribution of the Jember Regency's original revenue has not been maximal; 2) Based on the test results, it shows that fiscal performance as measured by direct expenditure allocation, productive population ratio and education ratio (RLS) have a significant effect on economic growth in Jember Regency; 3) The most appropriate alternative strategy to improve fiscal performance and financial management in Jember Regecy was SO by utilizing its power to seize opportunities by revitalizing the education and health sector, bureaucratic capacity and quality of public services; investation; building good and effective governance (good governance) by improving the budget sector apparatus; build coordination in line with the central government and increase the availability of laws and regulations that support the transparency of financial reports

Suggestions that can be put forward in this study include the 10 Jember Regency Government to continue to strengthen long-term oriented policies, which prioritize incentives for local investment as has been done so far, so that when viewed from the fiscal policy it will create regional comparative advantages to support economic growth. . The increase in sectors that dominate the economy should be increased in order to support the economic growth of Jember Regecy. In the context of facing regional autonomy, in particular it is recommended to continue to strengthen the long-term oriented paradigm, namely increasing PAD through increasing PDRB, not through regional regulations which are often counterproductive to the business world. priority sectors such as education and health.

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