

The Impact of Political Dynasty on Development in Indonesia: An Empirical Analysis

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Abstract

It is believed that the presence or absence of political dynasties in regional leadership has significant impact to the society. There is the important role of leader to the community that his lead on. Based on the previous research it is found that it was found that governments in which prevalence of political dynasties, spend more resources, especially in terms of infrastructure investment in urban areas, health and sanitation, and had no improvement in changes in the quality of public services. That is why the increasing in the practice of political dynasties in regional leadership government in Indonesia emerged the pros and cons of these conditions. In the line with the pros and cons of those conditions, hence the purpose of this study is to analyze the relationship of political dynasty on regional leadership, human capital and economic development in Indonesia empirically, which had not previously been done in Indonesia. This research uses qualitative and quantitative research methods to analyze the presence or absence of political dynasties theoretically and empirically. Using theoretical studies and empirical events supported by secondary data from competent sources, the research method is based on the interest to be able to use appropriate research methods in studying political dynasties, because the most important in the study of politics is the existence of mutually refining relationships and is based on the correct scientific method, one of which is to interact with reality empirical, with the aim of solving various problems. The finding of this research that there were some significant relations of human capital that measured by school participation rate and population density on economic development, measured by number of poor people and working population. However, there was no significant influence on the prevalence of the practice of political dynasties in the leadership of a region on both poverty reduction and the increase in the working population as an indicator of economic development.

Keywords: Regional leadership; Political dynasty; Human capital; Economic development.



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1. Introduction

Theories in general, or political theory in particular, are built on empirical occurrences or historical phenomena. This certainly shows that the development of political thinking along with the development of existing political phenomena. One of the political phenomena experienced by Indonesia, as one of the countries with the majority population of Islam, is the Political Dynasty.

The term political dynasty became a trend topic to discuss, after the emergence of several regional leaders in Indonesia who were the families of the previous leaders. Not a few of the regional leaders who are descendants or families of previous regional leaders, for example in South Sumatra, in Jambi, in Banten, in East Java. Leadership of regional heads in some places are relayed relay, either to children, wife, brother, sister, niece, or other familial relationship.

Regional leadership in Banten, for example, has many relatives of Ratu Atut Chosiyah occupying important positions in the province, as well as in East Java, Vice Governor Saifullah Yusuf. The phenomenon of political dynasties is not only happening in developing countries like Indonesia, but also in developed countries, which considered better in terms of democracy, as in the United States, that was indicated by the election of George W. Bush and the nomination of Hillary Clinton as president of the United States.

Although all elections of local leaders or government of the country go through a procedurally valid process involving the local people, but whether it is purely an option in the conscience of the people becomes the question, since one family occupies so many positions at the same time or down generating scientific anxieties that deserve to be studied, not to mention the impact on the quality of their human resources and welfare which is a measure of economic development success, as one key performance indicator of a regional leader. Therefore, based on the phenomenon presented, and the linkage between the development of phenomena and theory, the purpose of this study is to examine empirically political dynasties in Indonesia.

2. Literature Review

This study builds on the theory that generally states the relationship between government and economic development (Mankiw (2007) and specifically states the existence of a relationship between the quality of government and political dynasties (Braganca *et al.*, 2015) Dynasties are systems of power that reproduce by

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primitive, as a result of the continuing dependence of power on the blood and heredity of a certain of people (Nurdin, 2011). The political dynasty is the practice of power by "giving" the position of family members in the power structure (Hidayati, 2014), another term often used to describe the practice of power is kinship politics, where the successor of leadership is the family of the incumbent (Harjanto, 2011).

The existence of the practice of political dynasties raises the pros and cons, among others, especially in terms of its impact on the distribution of both in terms of political power that implicates the imperfections in democratic representation (Dal et al., 2009), in addition to its impact on economic development, previously conducted by Braganca et al. (2015), it was found that governments in which political practice of political dynasties spend more resources resources, particularly in terms of infrastructure investment in urban areas, health and sanitation, and no improvement in economic growth and change in the quality of public services, which shows the relationship between dynastic politics and the quality of government.

In fact, the quality of government or leadership in a region is considered to affect economic development which can generally be measured based on welfare conditions (Nasir and Tahir, 2011) and human resources such as by using indicators of reducing the number of poor, as a feature of welfare and an increase in the number of working population, as an illustration of employment of human resources in a region. Because the result of economic development in the form of increasing the level of prosperity and improvement of quality of life that can only be achieved through appropriate policies which is the role of government to make it happen (Feldman et al., 2016).

Many other factors, other than the government / leader factor in a region as discussed earlier, affect the welfare (reduction of the poor) and employment (number of working population). For example, things that affect the reduction of the poor are residents (Gribbel and Bremner, 2012); (Bloom and Williamson, 1997), education, regional leadership, and the number of working people. (Bloom and Williamson, 1997); (Becker, 1993). While the effect on the number of working population is the population density, education, regional leadership and poverty. (Amalia and Ridho, 2009).

2.1. Previous Research

Some earlier studies examined political dynasties from different perspectives. Nurdin (2011) studied the application of political dynasties around the world, and discussed theoretically about political dynasties. The conclusion of the research is that political dynasties create an unjust and balanced distribution of power supported by the financial capacity required as political costs and genetic forces (heredity).

Bathoro (2011), examines the political dynasty in relation to the consolidation of democracy. This research was conducted due to the thought of some people who consider the fairness of the rise of leadership with the system of political dynasties in various parts of the world, and some consider it a distortion or pressure on democracy. In addition to the research, Harjanto (2011) conducted a study on kinship politics as a result of institutional setbacks of party politics and pragmatism of electoral democracy of political parties aimed at winning elections and / or maintaining the sustainability of the existence of such political parties.

This study differs from previous theories, since in addition to theoretically assessing the concept of political dynasties, this study also empirically examines what has not been done for the Indonesian state its impact on economic development, including the development of human resources, seen from its impact on poverty reduction and the addition of the number of working people. This study also with empirical research has been conducted in several other countries such as the Philippines Braganca et al. (2015), using different variables with the addition of several other variables besides the political dynastic variables.

3. Methodology

3.1. Research Method

This research uses qualitative and quantitative research methods to analyze the theoretical and empirical political dynasties. Using theoretical studies and empirical events supported by secondary data from competent sources. The research method is based on the interest to be able to use appropriate research methods in studying political dynasties. Qualitatively reviewed the literature derived from the correct source and relevant to this research.

Then quantitatively to solve the problem in this research, simultaneous equation estimation on assumption of fixed effect (period) with EGLS Two-Stage Panel (Extended Generalized Least Squares), and on partial / individual test of model coefficient with t test, given significant influence when the value of P-value $\leq \alpha$ with α is set at 5%.

3.2. Types and Data Collection Techniques

The data used in this study is a kind of secondary data and is a panel of data from 33 provinces in Indonesia during the period 2013-2015 namely: data obtained by recording directly from the document. Data collection method used in this research is documentation, with main source in the form of literature from literature study and previous research results, and data sourced from the competent institution that is Bureau of Statistics Indonesia, in the form of data used to analyze empirically, i.e. data on the number of poor and working population (as an indicator of economic welfare / development, population density data, school enrollment rates (as a measure of human resource conditions), and data on political dynasties (as measured by the occurrence or practice of political dynasties in the regional leadership of the region.) And the data on whether or not political practice in a region is sourced from the Ministry of Home Affairs of the Republic of Indonesia (2013)

4. Results and Findings

4.1. Result

Review of simultaneous model output results:

First Equation

Dependent Variable: POV

Method: Panel Two-Stage EGLS (Period weights)

Date: 11/11/17 Time: 15:25

Sample: 2013 2015

Periods included: 3

Cross-sections included: 33

Total panel (balanced) observations: 99

Linear estimation after one-step weighting matrix

$POV=C(10)+C(11)*POP+C(12)*POL+C(13)*APM+C(14)*WORK$

Instrument list: C POV WORK POP POL APM

	Coefficient	Std. Error	t-Statistic	Prob.
C(10)	0.776250	0.266042	2.917772	0.0044
C(11)	-0.052557	0.009487	-5.539798	0.0000
C(12)	0.000309	0.053594	0.005772	0.9954
C(13)	-0.010292	0.003721	-2.766219	0.0069
C(14)	0.253726	0.005355	47.37855	0.0000
Effects Specification				
Period fixed (dummy variables)				
Weighted Statistics				
R-squared	0.966600	Mean dependent var		0.856612
Adjusted R-squared	0.964422	S.D. dependent var		1.239370
S.E. of regression	0.233683	Sum squared resid		5.023905
F-statistic	443.7551	Durbin-Watson stat		0.087606
Prob(F-statistic)	0.000000	Second-Stage SSR		5.023905
Instrument rank	8.000000			
Unweighted Statistics				
R-squared	0.966451	Mean dependent var		0.855096
Sum squared resid	5.024031	Durbin-Watson stat		0.091120

Second Equation

Dependent Variable: WORK

Method: Panel Two-Stage EGLS (Period weights)

Date: 11/11/17 Time: 15:33

Sample: 2013 2015

Periods included: 3

Cross-sections included: 33

Total panel (balanced) observations: 99

Linear estimation after one-step weighting matrix

$WORK=C(20)+C(21)*POP+C(22)*POL+C(23)*APM+C(24)*POV$

Instrument list: C POV WORK POP POL APM

	Coefficient	Std. Error	t-Statistic	Prob.
C(20)	-3.181069	1.019012	-3.121718	0.0024
C(21)	0.210532	0.036159	5.822350	0.0000
C(22)	0.132061	0.206339	0.640020	0.5238
C(23)	0.043175	0.014228	3.034411	0.0031
C(24)	3.784507	0.079801	47.42405	0.0000
Effects Specification				
Period fixed (dummy variables)				
Weighted Statistics				
R-squared	0.968447	Mean dependent var		3.463309
Adjusted R-squared	0.966389	S.D. dependent var		4.928808
S.E. of regression	0.903191	Sum squared resid		75.04937
F-statistic	470.6238	Durbin-Watson stat		0.082503
Prob(F-statistic)	0.000000	Second-Stage SSR		75.04937
Instrument rank	8.000000			
Unweighted Statistics				
R-squared	0.968240	Mean dependent var		3.453952
Sum squared resid	75.05254	Durbin-Watson stat		0.090598

Interpretation of Simultaneous Model Estimation:

From the assumption test result of residual normality of simultaneous model, it is concluded that the model has residual which is Normal distributed. The next step is to test the regression coefficient of POV and WORK equations

with t test given by hypothesis that there is partial influence of POP, POL, APM, and WORK to POV, and there is partial influence of POP, POL, APM, and POV on WORK.

Table-4. T test results for significance of POV and WORK equation coefficients. (Model for Paper)

Dependent Variable	Independent Variable	Symbol	regression coefficient	standard error	t Statistic	P-value
POV	Konstanta1	c(10)	0,776250	0,266042	2,917772	0,0044*
	POP	c(11)	-0,052557	0,009487	-5,539798	0,0000*
	POL	c(12)	0,000309	0,053594	0,005772	0,9954
	APM	c(13)	-0,010292	0,003721	-2,766219	0,0069*
	WORK	c(14)	0,253726	0,005355	47,37855	0,0000*
WORK	Konstanta2	c(20)	-3,181069	1,019012	-3,121718	0,0024*
	POP	c(21)	0,210532	0,036159	5,822350	0,0000*
	POL	c(22)	0,132061	0,206339	0,640020	0,5238
	APM	c(23)	0,043175	0,014228	3,034411	0,0031*
	POV	c(24)	3,784507	0,079801	47,42405	0,0000*

* Significant for significant level (α) of 5%.

4.2. Discussion

The regression model for simultaneous equations involving all variables is formulated below:

$$\text{POV} = 0,776250 - 0,052557 \text{POP} + 0,000309 \text{POL} - 0,010292 \text{APM} + 0,253726 \text{WORK} + e_1$$

$$\text{WORK} = -3,181069 + 0,210532 \text{POP} + 0,132061 \text{POL} + 0,043175 \text{APM} + 3,784507 \text{POV} + e_2$$

From the output of POV equation, the test is obtained for:

1) POP variable to POV with coefficient value of -0.052557 (negative effect) and P-value (Prob.) Of 0.0000 so that the test can be concluded that there is significant influence of POP on POV. In other words, if the Population Density increases 1 Thousand Soul / km², then the Poor Population will decrease by 0.052557 million (or 52,557 inhabitants); and vice versa if the Population Density decreases 1 Thousand Soul / km², then the Number of Poor People will increase by 0.052557 million people (or 52,557 inhabitants).

2) POL variable to POV with Coefficient value 0.000309 and P-value (Prob.) Of 0.9954 (Not Significant) so that the test can be concluded that there is no significant influence of POL to POV. In other words, the presence or absence of the Political Dynasty will not affect the number of poor people.

3) variable of APM to POV with coefficient value equal to -0.010292 (negative effect) and P-value (Prob.) 0.0069 so that test can be concluded that there is significant influence of APM to POV. In other words, if the APM Degrees increase by 1 unit, then the Number of Poor People will decrease by 0.010292 million people (or 10,292 inhabitants); and vice versa if APM Degrees decrease 1 unit, then the Number of Poor People will experience an increase of 0.010292 million people (or 10,292 inhabitants).

4) variable of WORK to POV with coefficient value equal to 0.253726 (positive effect) and P-value (Prob.) 0.0000 so that test can be concluded that there is significant influence of WORK to POV. In other words, if the Number of Working Populations has increased 1 million people, then the Number of Poor People will increase by 0.253726 million people (or 253,726 inhabitants); and vice versa if the Number of Working Population has decreased 1 million people, then the Number of Poor People will decrease by 0.253726 million people (or 253,726 inhabitants).

From the output of WORK equation, we get the test for:

1) variable of POP to WORK with coefficient value equal to 0.210532 (positive effect) and P-value (Prob.) 0.0000 so that test can be concluded that there is significant influence of POP to WORK. In other words, if the Population Density has increased 1 Thousand Soul / km², then the Working Population will increase by 0.210532 million people (or 210,532 people); and vice versa if the Population Density decreases 1 Thousand Soul / km², then the Working Population will decrease by 0.210532 million people (or 210,532 people).

2) POL to WORK variable with Coefficient value of 0.132061 and P-value (Prob.) Of 0.5238 (Not Significant) so that the test can be concluded that there is no significant influence of POL to WORK. In other words, the presence or absence of the Political Dynasty will not affect the Number of Working Residents.

3) variable of APM to WORK with coefficient value equal to 0.043175 (positive effect) and P-value (Prob.) 0.0031 so that test can be concluded that there is significant influence of APM to WORK. In other words, if the APM Degrees increase by 1 unit, then the Working Population will increase by 0.043175 million people (or 43,175 people); and vice versa if the APM Degrees decrease 1 unit, then the Working Population will decrease by 0.043175 million people (or 43,175 people).

4) variable POV to WORK with coefficient value of 3.784507 (positive effect) and P-value (Prob.) Of 0.0000 so that the test can be concluded that there is significant influence of POV to WORK. In other words, if the Number of Poor People experiences an increase of 1 million, the Number of Workers will increase by 3.784507 million people (or 3,784,507 people); and vice versa if the number of poor people decreased 1 million people, then the number of working people will decrease by 3.784507 million people (or 3,784,507 people).

4.3. Discussion

There is a negative effect of population density (POP) and net enrollment rate (APM) on the number of poor people, and there is a positive influence of the total working population (WORK) on the number of poor people (POV). In addition, there are positive effects of population density (POP), School Participation Rate (APM), and the number of poor (POV) to the total working population (WORK). However, there is no significant influence on the prevalence of the practice of political dynasties in the leadership of a region on both poverty reduction and the increase in the working population as an indicator of economic development.

The existence of a negative relationship between population density and the number of poor people indicates a condition where increased population density in an area is accompanied by the decline of the number of poor people in the area, this is due to higher population density in urban areas, and in urban areas there are less number of poor people. Despite rural poverty transfers, poverty is still dominant in rural areas, based on BPS (2017) data, the number of poor people in urban areas during 2013, 2014 and 2015 are 10,630,000 respectively; 10,360,000; and 10,620,000, while in the rural area of 17,920,000; 17,370,000 and 17,890,000 indicating that the number of poor people in rural areas is nearly double than the number of poor people in urban areas. According to Teguh Dartanto, Head of Poverty and Development Studies Institute for Economic and Public Investigations - Faculty of Economics, University of Indonesia, most of the number of poor people in the rural area working in agriculture and in the informal sector. (Bonasir, 2014). Based on the spread between islands, more of the poor people live on Maluku Island and Papua Island (Fauzie, 2017)

The results of this study also indicate a significant influence of the increase in the number of net enrollment rates of secondary schools (the proportion of the population in the age group of secondary education who are still in school) to human resources or human capital, that contribute significantly to economic development in the form of reduction of the poor people number, that showed the improvement of welfare conditions.

Another finding, indicating a significant influence, that the increase of the working population has an effect on the increasing of the poor. This finding contrary to popular allegations. The explanation for this fact was the number of working people still dominated by workers with low incomes. Population density occurs in large cities due to migration from rural to urban areas, as a result of greater opportunities for employment in urban areas. Unfortunately, the work that most of the workforce can earn is low-paid jobs, according to their education and skills. This fact is supported by data showing that the majority of the working population has a primary school education level. This was also a fact that generate the transfer of poverty from city to village.

Furthermore, it was found in this study that to the significant positive and dominant relationship of the number of poor people (POV) to the number of working population (WORK). This was due to empirical facts indicate that poverty drives a person to work, the population needs work to earn income. Since one of the causes of poverty is unemployment, unemployment allows one to participate in the labor market, due to a major economic downturn in families at risk of dismissal (Wasmer, 2009).

In addition, the positive effect of population density on the increase in working population was also a finding in this study, in line with earlier assumptions that an increase in the population, especially the working age population, will positively affect the number of working population (Gribbel and Bremner, 2012). This research also found that a positive effect of net enrollment rates on the number of working people, indicating that an increase in the net enrollment rate of secondary schools (the proportion of people in the middle age group of secondary education attend school to population in that age group) affect to the increase of working population. This finding is consistent with the assumption that human resources or human capital contribute significantly to economic development in the form of increasing number of working population that shows the success of economic development.

Although the findings of research results in the form of a significant influence of some independent variables on the dependent variable in accordance with the allegations, but it was not found any significant influence of the validity of the practice of political dynasty in the leadership of a region (province) to the economic development. Regional leadership does not show results that have a significant negative effect or positive impact. The role of local government in economic development in Indonesia has not shown significant results either in the form of poverty reduction or in increasing the number of working population. Whereas the poverty alleviation program and the increasing number of manpower are often the mainstay of the campaign in the election of regional leaders, since both programs are still needed, since there is still a lot of people live in poverty and unemployed in various regions in Indonesia.

5. Conclusion

5.1. Conclusion

There is a negative effect of population density and the Net School Participation Rate on the number of poor people, and there is a positive influence of the total working population on the number of poor people. In addition, there is a positive influence of population density, Net School Participation, and the number of poor people on the number of working population. However, there is no significant influence on the prevalence of the practice of political dynasties in the leadership of a region on both: poverty reduction and the increase in the working population as an indicator of economic development.

Therefore, the successive of regional leadership in Indonesia, if measured using the key performance indicators of economic development, is still questionable, the results of this study indicate that the presence or absence of the political dynasties existence has no significant effect on reducing the number of poor or in increasing the number of

working population, in other words it also can be said that although the practice of the political dynasty does not imply any negative impact on economic development, it also does not contribute positively.

5.2. Recommendation

The existence of a positive influence of net enrollment rates shows that it is important for the government to maintain a compulsory 9-year or compulsory education policy up to secondary school education which is accompanied by a policy that allows Indonesians community to participate in it. In addition to reducing the number of poor people, a balanced management of rural and urban areas, large and small areas, western and eastern regions should be a sustainable policy.

Furthermore, it becomes a recommendation for local leaders to put forward a transformational leadership style rather than a transactional leadership style for the sake of leadership sustainability rather than economic sustainability. Because a leader has responsibility not only to the people who have chosen him but also to God. Recommendations are also given for the implementation of subsequent research, in order to use different approaches, variables, and data types, in order to obtain useful results in the development of science as a result of the discovery of new empirical phenomena that can be used into a proposition. It is also useful in establishing policies in the implementation of regional leadership processes.

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