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Editorial

Journal of Social and Development Sciences (JSDS) is a scholarly journal deals with the disciplines of social and development sciences. JSDS publishes research work that meaningfully contributes towards theoretical bases of contemporary developments in society, business and related disciplines. The work submitted for publication consideration in JSDS should address empirical and theoretical contributions in the subjects related to scope of the journal in particular and allied theories and practices in general. Scope of JSDS includes: sociology, psychology, anthropology, economics, political science, international relations, linguistics, history, public relations, hospitality & tourism and project management. Author(s) should declare that work submitted to the journal is original, not under consideration for publication by another journal, and that all listed authors approve its submission to JSDS. It is JSDS policy to welcome submissions for consideration, which are original, and not under consideration for publication by another journal at the same time. Author (s) can submit: Research Paper, Conceptual Paper, Case Studies and Book Review. The current issue of JSDS consists of papers of scholars from Malaysia, Indonesia, Nigeria and Pakistan. Political communication, economic community, human development index, economic inequality, payment systems & money laundering, government spending & per capita income, branding social marketing services & criminal recidivism were some of the major practices and concepts examined in these studies. Journal received research submission related to all aspects of major themes and tracks. All the submitted papers were first assessed by the editorial team for relevance and originality of the work and blindly peer reviewed by the external reviewers depending on the subject matter of the paper. After the rigorous peer-review process, the submitted papers were selected based on originality, significance, and clarity of the purpose. Current issue will therefore be a unique offer, where scholars will be able to appreciate the latest results in their field of expertise, and to acquire additional knowledge in other relevant fields.

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PAPERS

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Political Communication by Political Parties in 2014 Legislative Election in Indonesia

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Abstract: At this time the image of political parties in Indonesia deteriorated because of various problems afflict their cadres in the Parliament and the executive. In order to increase the public's trust, many political parties begin to perform activities of political communication. This research is aimed to discuss and analyze the political communication held by political parties in the election of 2014. In order to analyze the political communication process conducted by the political parties, researchers using the theory of political communication with the indicator: sources (political communicator), political messages, media or political channels, influence or effect of political communication. The method used is qualitative, with primary data sources such as interviews and observations, as well as secondary data such as photo documentation and source literature obtained from other sources. From the research that has been made known that the political parties use the sources of political communication in the form of print media, electronic, outdoor media, and public communication channel group. Associated with the delivery of a political message, that the political parties use multiple channel messages, both textual and non-verbal, where all of the message channel associated with the media or political channels that are used by political parties, namely the print and electronic media. The results of this study also showed that the influence of political communication has been done by the political parties through the mass media are not always able to influence the attitudes or perceptions of society, because it needs to be seen also from the other side that is the perspective and needs of the community. From the results can be concluded that political communication conducted by political parties through a variety of media is no longer always have a dominant effect because audiences are active and independent.

Keywords: *Political party, political communication, media, audience, message*

1. Introduction

For those countries that embrace democratic political system, political parties is a democratic tool that can be a liaison between the people and the government, because the political parties have the ability to place its members in parliament (legislative) as representatives of the people. A political party is a political tool as well the vehicle is used to put them (legislative candidates) to be representative of the people (legislators). Although the purpose of political parties participating in elections is to gain power, but the political parties cannot avoid their responsibility to the people who have chosen to put the majority of the party members in the House of Representatives (DPR). However, let's hold, the current image of political parties is expected by society, the better it gets worse. Various problems that afflict cadres of political parties in Parliament and the government (executive) adds to the list of sequences disappointment for most Indonesian people towards political parties. Further deterioration of the political party's image in the eyes of the public, because the behavior of its members are likely to corrupt and less attention to the aspirations of the people, raises concerns over the increasing levels Abstentions (white group) in the general election in 2014. As revealed by the Executive Director of the Political Literacy Institute, gun Heryanto, Abstentions will be higher compared to the elections in 2004 and 2009. An estimated 35 percent of people who do not want to go to the voting booth.[1]

The high number of Abstentions in a general election is an indication of concern, because the phenomenon of non-voters in the political world will give birth to an imbalance in the wheels of government. On the other hand the increased Abstentions may result from their control becomes increasingly small, because the representatives in the House as less gain recognition as representatives, or do not fully represent the people. When representatives less considered to represent the people of then the executive control of the House to be weak, and these conditions can make the State in instability. In the midst of rising concerns Abstentions,

[1] http://pemilu.okezone.com/read/2013/10/26/568/887354/golput-diprediksi-melonjak-di-pemilu-2014 (accessed in 30 October 2014)

political parties need to formulate appropriate strategy as a way to counter these concerns, because the task of political socialization for the elections are not only the responsibility of the General Elections Commission (KPU). Political parties should help improve people's trust to want to participate actively in the elections, not just thinking of votes and became the winner in the elections. This is because the party has the function of education and political socialization, which aims to provide insight to the public about the importance of elections and political parties as an organization that embodies the aspirations and political interests of the community. In order to increase public trust on political parties, many political parties have started to perform activities of political socialization and political education, all of which are part of the political communication. But political communication established by political parties ahead of the 2014 election is still not showing a positive attitude to rebuild public confidence in the party and the election process itself. Some political parties in political communication still have a tendency to invade and impose political opponents, rather than building a positive process of political communication and democratic. Political communication by political parties in elections is an interesting subject to study in terms of political messages delivered by political actors in election activities, as well as political communication channel is used, such as the mass media, to shape public opinion. Therefore, this study entitled "Political Communication Political Party in the Legislative Election 2014".

Political Communication: Study of political communication according Baghot, Maine, Byrce, and Graha Wallas examine the role of the press and public opinion formation (Cangara, 2009: 32). That there are several approaches in the study of communication and politics, including some theories of communication that influence the electorate, for example political agenda setting by McCombs in 1981; the uses and gratifications by McLeod and Becker in 1981; analyzes the rhetoric of political discourse by Bitzer in 1981; and the effect of political advertising by Kaid in 1981 (in Cangara, 2009: 33). Political communication according to Dahlan (in Cangara, 2009: 35) is a field or discipline that examines the behavior and communication activities of a political nature, have political consequences, or influence the political behavior. Cangara (2009: 35) defines as a political communication as a process of transferring emblems or symbols communications that contain political messages of a person or group to another person with the intention to broaden or way of thinking, and influence the attitude and behavior of political target audience. McNair (2003) states that “political communication as a pure discussion about the allocation of public resources (revenues), official authority (who is given the power to make legal, legislative and executive decision), and official sanctions (what the state reward and punishes). From some concepts or theories above, obviously political communication is a process of communication that have implications or consequences of the political activity. This means that political communication has a political content message (Cangara, 2009: 36).

2. Literature Review

Research on political communication in this country is not a rare commodity, for example, we can find in the work of Ridwan Hanafi, who argued that local political parties prefer to use the local language of Aceh as the dominant communication medium (with a percentage of 52.63%) to discuss the strategy of empowerment party; discuss the election of president and vice president of the 2009-2014 period; election of the Governor and the Deputy Governor, the Regent and Vice Regent, Mayor and Deputy Mayor of the period 2011-2016. Feeling proud and happy underlying dominance of the use of the local language by political parties in Aceh in political communication at 73.60%. Other authors is Etika Pavita Nur, mentions about the prosperous and justice party (PKS) communication strategy which conducted through a closed communication, communication with sympathizers and open communication. Through the closed communication to the cadre and communication with sympathizers, PKS able to produce high loyalty to the party. Nevertheless Pavita still find flaws in PKS communication strategy in Semarang that is not all regions have regional coordinator (Korwil), where Korwil is useful to respond stigma from society.

3. Methodology

Based on the characteristics of the study, which aims to answer the research questions of Political Communication Political Party in the Legislative Election 2014, through observation and in-depth interviews, this study used qualitative research methods. In this study, the data source is divided into two types, that is primary and secondary data sources. Primary data were collected through observation and in-depth

interviews with informants. They were chosen as informants are individuals who are members of the group Public Relations Media National Television, and Leaders or representatives of political parties participating in the 2014 election. Secondary data are taken from news programs in three national televisions, and conducted for 3 months in mid 2013. There are also data in the form of official documents of mass media and political parties, various literature and previous research that are relevant.

Research Framework: To increase community trust toward political parties, many political parties have started to perform activities of political socialization and political education as a form of political communication. This study examines the political messages delivered by political actors in the election, and also the use of political communication channels (mass media) to form public opinion. Researchers used several indicators to analyze political communication conducted by political parties in the 2014 election that is the source (political communicator), political messages, and media or political channels.

4. Analysis

Political Parties in 2014 Election: Legislative elections in 2014 are the fourth Democratic Party in the reform period. This year there is a reduction in the number of political parties participating in the election, where there are only 15 political parties that can compete in elections, which consists of 12 national political parties and three local political parties in Aceh. Here are 12 national political parties participating in the Elections of 2014 which is the object of research.

- **Partai Nasional Demokrat (Nasdem) / National Democrat Party:** National Democratic Party was inaugurated on July 26, 2011 in North Jakarta. This party was born from a mass organization called the National Democratic, whose establishment is supported by Surya Paloh, the leader of Metro TV and Media Indonesia.
- **Partai Kebangkitan Bangsa (PKB) / The National Awakening Party:** National Awakening Party (PKB) is a political party that has a traditional Islamic base of the organization Nahdlatul Ulama (NU). The party was founded in Jakarta on July 23, 1998 (29 Rabi'ul Awal 1419 Hijriyah), which was declared by the kyai NU, as Munasir Ali, Ilyas Ruchiyat, Abdurrahman Wahid, A. Mustafa Bisri, and A. Muhith Muzadi.
- **Partai Keadilan Sejahtera (PKS) / Prosperous and Justice Party:** Prosperous and Justice Party, formerly known as the Justice Party (PK), is an Islamic-based political party. The beginning of this party can be traced from the campus missionary movement that spread in various universities in Indonesia in the 1980s and 1990s. Justice Party declared at Al-Azhar Mosque, Kebayoran Baru, Jakarta, on July 20, 1998. On July 2, 2003 PK officially changed its name to the Prosperous and Justice Party (PKS).
- **Partai Demokrasi Indonesia Perjuangan (PDI-P) /** Indonesian Democratic Party of Struggle: Birth of PDI-P can be attributed to the events on 27 July 1996. The results of this event is the appearance of Megawati Sukarnoputri in the national political scene. Even before this incident, Megawati was recorded as Chairman of the Indonesian Democratic Party and member of the House of Representatives, but his name became known and popular throughout Indonesia just after the events of July 27, 1996.
- **Partai Golongan Karya (Golkar Party):** Golkar Party begins with the establishment of the Joint Secretariat Golkar in the final period of President Sukarno, precisely in 1964, by the Army to counter the influence of the Communist Party of Indonesia in political life. In the process, the Joint Secretariat Golkar transformed into Golkar, and began to get involved in the election.
- Partai Gerakan Indonesia Raya (Gerindra) / Great Indonesia Movement Party: Great Indonesia Movement Party (Gerindra) declared on February 6, 2008, having previously initiated by two intellectuals, Fadli Zon and Hashim Djojohadikusuma, in November 2007. The party establishment departed from the concern of the two figures on the political and economic conditions of Indonesia which at that time it is still under the leadership of Susilo Bambang Yudhoyono.
- **Partai Demokrat / Democratic Party:** Democratic Party was founded on 9 September 2001 at the initiative of Susilo Bambang Yudhoyono, and on 10 September 2001 registered to the Ministry of Justice and Human Rights. The establishment of the Democratic Party is often associated with the

current party destination for carrying Susilo Bambang Yudhoyono, who was then still a minister under President Megawati, as the Indonesian president in the 2004 elections.

- **Partai Amanat Nasional (PAN) / National Mandate Party:** PAN was established on August 23, 1998, and brought the principle of "Moral Politics Religion Brings Based Mercy for All Worlds". The birth of PAN was pioneered by the People's Assembly Commission (MARA), one of the reform movement in the Suharto era.
- **Partai Persatuan Pembangunan (PPP) /** United Development Party: United Development Party (PPP) classified as an old party in Indonesia. Declared on January 5, 1973, as a combination of four religious parties, the Party of Nahdlatul Ulama (NU), United Islamic Party of Indonesia (PSII), Perti and Parmusi, which is intended to simplify the party system in Indonesia for the General Election in 1973, in the era of New Order.
- **Partai Hati Nurani Rakyat (Hanura) /** People's Conscience Party: Hanura pioneered by former Armed Forces Commander Wiranto and officially established on November 14, 2006, and has participated in the first major political event in 2009. In that election, Hanura managed to get a ration of 18 seats in parliament after winning 3.9 million votes, or 3.8 % of voting results in the election.
- **Partai Bulan Bintang (PBB) /** Crescent Star Party: Crescent Star Party (PBB) is an Indonesian political party which is based on Islam, established on July 17, 1998 in Jakarta and declared on July 26, 1998 in the courtyard of Al-Azhar Kebayoran Baru, Jakarta. The party was previously chaired by Yusril Ihza Mahendra, a character who has served as Secretary of State in the mass of the President.
- **Partai Keadilan dan Persatuan Indonesia (PKPI) /** Indonesian Justice and Unity Party: PKPI established on January 15, 1999, after the formation of the Movement for Justice and the United Nations (GKPB) in 1998 under the coordination of Ir. Siswono Yudhohusodo, Ir. Sarwono Kusumaatmadja, David Napitupulu and Tatto S. Pradjamanggala, SH.

Political Communication by Political Party: Political communication is an important aspect that needs to be done by the political parties to gain sympathy and voice of the people ahead of elections. In this modern era, there are many available channels of political communication that can be utilized by the party, in addition to conventional channels that existed previously. Political communication by the party ahead of elections is closely associated with the campaign process, as can be seen through the delivery of the vision and mission as well as the party program or legislative candidates to get the attention from the voters. Although the actual process of political communication can be established well before the implementation of the campaign, but in fact political communication conducted intensively by parties and candidates when entering the campaign period. Political communication is a reciprocal relationship between politicians with constituents or all of the people in their electoral districts.

For large parties or candidates who had been a representative of the people, certainly not difficult to build political communication with constituents, because they are had frequent meetings and discussions with the people in discussing the problem. While for the new party, they are should be intensively build political communication because they are must to seize the mass base from the existing parties. Likewise also the new candidates required a larger struggle to create positive political communication to be able win the sympathy of the people. Political communication process conducted by the party during the election need supported by the channel or medium of political communication. Channel or medium of political communication is the instrument that is often used to promote the vision and mission, objectives and goals of the party. Based on observations in the field, there are some political communication channel or medium that is often used by political parties when elections, such as: print media, electronic media, outdoor media, through the communication channel group, public, and social communication channels.

A. Political Communication through Print Media: Categories of political communication carried through the print media are carried through newspapers, tabloids and magazines. Although in the digital age there is a shift in the use of media, from print media to electronic or digital media, but print media still have prospective market in society. The emergence of electronic media and digital does not necessarily turn off the print media, because of the tradition of searching for information in the print media is still quite attractive, at least up to this day we still find the print media in this country. The use of print media as a means of information and communication caused many people still want to advertise, including those political parties who wish to try to get the support from the public. Political parties see that the print media besides having extensive

segmentation and are still widely read by the public, also has other advantages over electronic media such as television. If the cost to advertise on television is very expensive, the cost of advertising in newspapers or magazines are still affordable, besides that the time to advertise on television is very short as compared to print media.

Based on the research, it is known that to advertise on TV, measured by the duration of advertisements ranging from 15 to 30 seconds, for once aired pegged at 10 to 15 million rupiahs. As for advertising in newspapers and magazines with a 1/2 page then the tariff is around Rp. 14-15 million for one issue. Another advantage from the use of print media is also seen from the broad market coverage (national, regional, and local); flexible; widely accepted; reliable; a reference that can be carried; and contain the actual things. Here are some examples of evidence of still more use of printed media by some political parties in general elections in 2014:

Image 1: (**Left-Right)** Gerindra in Media Indonesia (**January 14, 2014)** and PKS Political Communication in Padang newspaper (**March 29, 2014).** (**Bottom)** Political Communication of PDI-**P** in Kompas

B. Political Communication through Electronic Media: Electronic media such as television, radio and the internet is the category of modern mass media that is currently much loved by many people. This media category is increasingly being used by the public because it is more easily to get the modern technology at an affordable price, in addition the media is considered to be more interactive with the sound and / or images than the print media. Along with the development of information technology, electronic media also allow for interaction between the two parties communicator with a communicant. With the increasing number of people started using electronic media, both as a means to get information and entertainment, then the messages delivery through this media is also felt very important, including political messages. Electronic media for a political party is a communication tool that can help them to socialize the institution to the community in shaping a positive image.

Although the money invested in the form of advertisements in the electronic media is quite expensive, but the condition does not discourage political parties to advertise on television, radio and internet. For some political parties which have a close relationship with a particular media, the relationship is very beneficial to them, because there is ease of public access through the use of network information available. Researchers in this observations has observe the frequency usage and how the news of the National Democratic Party (NasDem) on Metro TV, People's Conscience Party (Hanura) in MNC Media (RCTI, MNC TV and Global TV), as well as the Golkar Party on TVOne and ANTV. While for other parties such as the PDI-P and Gerindra, would have to grope deeper pockets. However, because of the positive results obtained on the popularity and image of the party, they still use it. This is evidence that the electronic media, especially television, is more effective than print media. Through electronic media, political parties tried to influence public opinion and behavior of society by providing an overview of the political party that cares about the fate of the nation, of course also with narrative ads that can captivate and steal the attention of the public.

Sigi Kaca Pariwara, a company engaged in the field of monitoring TV ads or television commercials have been monitoring and researching the emergence of TV advertising (television commercial/TVC) in this type of

political campaign ads during the period open campaign began March 16, 2014 at 00:00 pm until 5 April 2014 at 24.00 pm. Director of Sigi Kaca Pariwara, Sapto Anggoro, said that from the 10 television stations were monitored for 24 hours, i.e. RCTI, SCTV, Trans 7, Trans TV, Indosiar, TV One, Metro TV, ANTV, MNC TV and Global TV. The results obtained during the open period of the campaign, there are 107 variations of a theme TVC campaign that was launched 12 parties participating in the election. Gerindra be the party that makes most TVC ad variations, with 19 themes TVC. Democratic Party followed with 14 themes TVC and Golkar with 13 themes TVC. Meanwhile, the Crescent Star Party (PBB) is a political party that makes the fewest variation theme (only one theme TVC). Sapto continued, from the number of broadcast frequencies, the advertisements campaign of Hanura's to be the most active, with a total number of ad impressions reached 2,489 telecasts. Whereas the PBB becomes a party with the fewest advertise on television, which is only five times. According to him, the amount of commercials on television is directly proportional to the funds spent by the party. However, the calculation does not include non-technical elements and Sigi Kaca Advertisement ignore the existence of some political party affiliations with several television. The results of evaluation obtained by the calculation of these ads, Hanura be the most extravagant parties spend money amounting to Rp. 70.50 billion, and the party fewest spend money is PBB, which was Rp. 400 million.

The interesting things is that there are two parties, such as Gerindra and Golkar, which had been active to makes political advertising before the campaign, but during the campaign both of them was not too hard to advertise. During the campign Golkar only spent as much as Rp. 39.88 billion and Gerindra Rp. 26.49 billion. National Democratic Party (NasDem) and Metro TV has a very close relationship, this is due to Surya Paloh position who besides the Founder of Metro TV is also the founder and chairman of the NasDem Party. In many events organized by the NasDem Party, there is always room for publication on Metro TV. This political communication strategy is very important to improve NasDem party electability in the 2014 election. From the number of votes in the 2014 elections, NasDem Party reached 8,402,812 votes, which meant its put them in the eighth position. Besides NasDem, Golkar also become other political party which get benefits from the television, as we known that the general chairman of Golkar, Aburizal Bakrie, also the owner of TVOne and ANTV. For examples: with the linkage between those TV stations and Golkar, this party able to keep their position safe in the 2014 election, because before the campaign session there are so many attacks toward Golkar, especially in corruption case.

Hanura party also one of the party which gain benefits from the existance of Hanry Tanoe (owner of MNC Media Group). Before Tanoe leave Hanura, he always support Hanura political campaign in MNC Media. But after the legislative election, some people in Hanura blamed him, just because the position of the party was getting worst after the election. For PDI-P, even this party didn't have supporting media, but this party has a good relation with some media and they are able to pay media for their political advertisement. During the campaign session and advertorial this party has a motto "Indonesia Hebat" which is means Indonesia has many potencies to become a great country. PDI-P was also smart when they are sold Joko Widodo as their icon to accompanied Megawati and Puan Maharani (some cadre proposed Puan to become a leader in PDI-P).

Image 2: PDI-Perjuangan Political Advertising (Indonesia Hebat) in SCTV and Trans7

C. Political Communication through Outdoor Media: Political communication channel through outdoor media according to Cangara (2009: 38) is the exertion of such media: baliho, banners, billboards, flags, shirts, vests, calendars, and car ads to build an image. From what has been observed many political parties are using

outdoor media to get public attention. Although it can be said conventional media, but when it's compared to the print media (newspapers and magazines) and electronic (TV and radio), the costs incurred for the use of this media according to the informant from PKS and the Democratic Party are relatively more affordable.

D. Communication Channel Group: Communication channel groups according Cangara (2009: 38) is the use of the channels through professional organizations, alumni association, socio-religious organizations, youth clubs, study groups, groups of farmers and fishermen, cooperatives, sports unity, keukunan family, association of interests and so on. In connection with these organizations, political parties are trying to establish political communication in order to seize the sympathy and support from the organization and its members.

Based on the observations some political parties are take advantage from the communication channel groups to strengthen support for the party. Some political parties which use communication channels group are:

- Gerindra through the Indonesian Farmers Association (HKTI), and some labor organizations.
- National Awakening Party (PKB) through socio-religious organization, such as Nahdlatul Ulama (NU) and pesantren.
- National Mandate Party (PAN) through religious social organization Muhammadiyah and some pesantren.
- United Development Party (PPP) which build political communication with several pesantren and organizations: NU, as well as LDII.
- The Prosperous and Justice Party (PKS) which build political communication with study groups, schools, and some groups of workers, farmers and fishermen. Besides, the party is also always build political communication with student organizations based on religion as KAMMI (Indonesian Muslim Student Action Union).
- Golkar which build political communication with religious groups, student religious organizations such as Islamic Students Association (HMI), farmer groups, and cooperative groups.
- PDI-P which build political communication to some religious groups such as NU and Assembly Christendom Indonesia (MUKI), as well as labor organizations such as Confederation of All Indonesian Workers (KSPSI).

Public Communication Channel: The use of the public communication channel is the most widely used by political party when entering the campaign period, some public communication channels such as: the declaration in the square, making the stage arts, and visits to the market. Through this communication channel political party and legislative candidates can interact directly with the public, particularly in building their image. Although this method is considered as a conventional way, but this method is still widely used by many political party.

Image 3: PDI-P Stage Entertainment

Source: Tribunnews.com, 2014.

Political Communicator: Political communicator term can refer to the politicians or also referred to polls, professional communicators (referred as pross), and activist (referred as vois). Both pols and pross sometimes pick "erotic relationships"; sexy and alluring on one side, but normatively forbidden on different sides. The intimate relationship exists between media owners as polls with pross, as can be seen from the relationship between Surya Paloh as Nasdem Party chairman and founder of Metro TV; Aburizal Bakrie as general chairman of Golkar Party and also the owner of TV One; and Hanry Tanoe as a Vice President

candidate from Hanura and the owner of MNC Media Group. That's fact shows that the normative values have been violated by a media relations with political power. But this is also a common phenomenon that occurs in all media organizations. Although the journalists claim that they are autonomous and the editors are reluctant to admit that they are governed by the media owners, but there is no doubt that the owners of media has almost absolute powers of the content. This is the second explanation of the term "erotic relationship" between the 'polls' with 'pross'.

From the research and literature sources, 'vois' or activist in this study appeared to be visible only on the two political parties, the first National Awakening Party (PKB), which has a background from organization Nahdlatul Ulama (NU); Second, the Prosperous and Justice Party (PKS) which emerged and evolved from Campus Propagation Institute (Lembaga Dakwah Kampus/LDK) in various higher education institution/university. From the description above, today is the era where media organizations are strongly regulated and determined by market interests. Media organizations need financial resources obtained from advertisers, including political parties, even though sometimes political ads that was published contrary to the interests of media owners.

Political Message: Message is the essence of communication, especially in political communication. Message contains the most important part of the operations which is called as a process of perception and gives meaning. In the history of social science development, especially mass communication, there are some knowledge traditions that are used and developed for the interest of message analysis, among of them is used semiology approach. The birth history of semiology approach can be traced from several traditions that ever existed. Semiology which came from the critical tradition oriented to the paradigm of Marxism (or rather neo-Marxism). Grossberg (in McQuail, II-2011: 80) have shown some variation in the interpretation of cultural Marxist tradition associated with the 'politics of textuality', including by using the notion of "false consciousness". Establish referral "false consciousness" as the rest of history, based on a logic that this concept has given rise to hegemony (including through the news, advertising promotions, and other similar), that one way is to hide the true reality.

"False consciousness" translated by Marx in the framework of problems-relations between culture and the context of action from the cultural (Rudyansjah, 2011: 223). This relationship framework then can be interpreted as a methodology. The meaning process of a discourse constructed with all kinds of expressions of communication, which include: speech, music, pictures, sound effects, images and so on [or all of which can be captured by the human senses]. From the political messages delivered by political parties, both verbal and non-verbal, we can determine the real "ideology" of a party. In addition, we are also can understand how each party trying to attract voters with showing some positive or good images, which is precisely do not correspond with the ideology promoted.

Political Channel or Media: Refers to the information has obtained, political actors who get involved in the legislative elections, still using print media as a means of publicizing. Collective consideration choosing print media, such as still has advantages such as extensive segmentation. But apparently this is not the primary consideration, as well as a longer duration when compared with electronic media, print media advertising costs much cheaper than electronic media. Although the print media is not a category of modern media, but print media is still considered to be quite effective to build a positive interaction with the community because the message conveyed through the media is not limited to the narrow space and time. Differ with the television or radio that has duration, where to advertise in a certain duration requires a very large cost. Electronic media such as television, radio, and the internet is a tool that we can find in everyday life. In addition because the price is increasingly affordable, electronic media provide exceptional benefits because of its ability to reach the audience in a short time and with a wide range. But the discussion of electronic media in this study is limited on the television media, because this media is able to transmit voice and image at the same time (the advantages not possessed by radio).

When we are talking about the relation between television media with political communication, the political communicators has an important role in determining the political advertising on television, but of course not just an ordinary communicators, they are political communicators who fit into the category of polls (as previously described in the "communicator politics"). Just look at some figures polls that serve as party

officials and owner of the television media, such as: Surya Paloh (Nasdem party founder and Metro TV), Bakrie (owner of TV One and Chairman of Golkar Party), as well as Hanry Tanoesoedibjo (MNC Media Group officials and a candidate for vice president from Hanura). However, with the increasing number of television media which affiliated to political parties, either directly or indirectly, caused the preference of society towards a party can change in a moment. Political war through the television media can be seen from a variety of news and political advertising, this is certainly has a purpose to marginalize certain parties and then taking the advantage for their own party. For political party and Polls, prohibitive cost is a consequence from a political battle, because they have to raise the popularity of the party.

Mass Media Effects: Every message that is conveyed through the mass media certainly has an influence or effect. In the past, when the influence or effect of mass media is still considered one direction, in which the recipient is merely passive, currently it is precisely opposite. Today's society is increasingly active and selective in choosing mass media, including selecting TV channels. Many audiences will not choose the media which they think do not need to consume. This makes political competition in mass media is becoming increasingly fierce, they are the politicians and polls should make an interesting strategy to take the public attention. Nowadays, to be used as a means of information the mass media have to compete with each other or to compete with other media types. As a consequence to survive, the media should pay attention to their programs, how the distribution, and who the audience. Today the audience has strong awareness and motive when they are choose a media. Thus, the success of the media then will be determined by how much they can give or raise awareness or strong motive to audiences to consume the mass media (West & Turner, 2009; 103-104). How to pack smart campaign must become the main consideration for politicians and political parties, so the information served to audience can be digested easily. Without ingenuity in presenting political message then the political campaign will be useless, will not give impression to the voters.

5. Conclusion

Political communication is an important aspect that needs to be done by the political parties to gain sympathy and support from the public. Political communication process conducted by the party during the election need supported by the channel or media, that's why there are many political parties and politicians are spent their money to makes political advertisement. Some political parties get some benefits from the position of their chairman who also become the media owner. Despite media impressions can influence political attitudes of society, but as the increasing number of television stations then a television station no longer has such a strong dominance. Now the audience already has a lot of media choices, which means that the audience has been increasingly active and selective. They are no longer easy to be influenced only by one political information. With the existing condition, where is many new television appear has made the political competition through media become tight.

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Impact Analysis of the Village Fund Allocation (ADD) Toward Economic Community (Case Study on the Rural District of Namlea Siahoni), Buru Regency

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Abstract: Rural development is the subject of development, as the movement of people in carrying out development based on the awareness to improve life better, given more than 60% of Indonesia's population lives in the village. The position is a strategic village a capital base that must be understood as a whole and integrated, both in terms of strengths, weaknesses, opportunities and constraints, as well as relationships with strategic environment, regional, national and international. Strategic implications of independence of the village in the welfare society is still a big question, because the village government's ability to use the budget. This study intends to investigate whether the allocation of funds village (ADD) to contribute to the economic empowerment. With institutional economics approach, the findings of this study are: Directional distribution of ADD for this can be seen from the reality that most of the village allocates its budget ADD to repair /improvement of physical roads, buildings, irrigation. Low contribution in encouraging community development and very little village which directs its budget for financing ADD more productive example BUMDes formation, Village Bank, and the Village Market. Capital revolving loan without interest for the development activities of small and medium enterprises as well.

Kayword**:** *Rural development, local government, allocation of funds village (ADD). institutional economics approach, qualitative analysis*

1. Introcuction

Indonesia development strategy is an increase in the distribution of development and their fruits through sectoral development policy and the performance of the public, especially in rural areas. Rural development is the subject of development, as the movement of people in carrying out development based on the awareness to improve life better, given more than 60% of Indonesia's population lives in the village. With a population of the above and supported by potential natural components are appropriately gets a small village by village fund allocation (ADD). If the allocations of village funds are used to improve the lives and welfare of the community, it can be said the gap between rural and urban areas can be realized. Reflecting the development of rural communities in the past, especially in the New Order era, rural development is the development of methods and approaches centrally programmed state. Since the Law No.32 of 2004 on local government was passed, local governments have greater authority in the management of the area. The emergence of Law has changed the paradigm of centralized to decentralized development. Administrative village is the smallest form of government, led by the village head of a direct election. Formally, the government has issued PP No.72 of 2005 on the village as the basic law governing all things considered urgent for the village. By definition, based on the regulation of village or another as defined as the unity of the legal community that has boundaries with the authority to regulate and manage the interests of the local community, based on the origins and customs that recognized and respected in the administration system of the Republic of Indonesia .

In rural development, the village government serves as a subsystem of the system of government administration in Indonesia, so the village has the authority, duties and obligations to regulate and manage the interests of their own community. In organizes the authority, duties and obligations of the village in governance and development needed source of revenue village. If more thoroughly understood, the village is a meeting place of the current government policies and aspirations of the people. In other words, the village is a place of realization of cooperation between the Government and the community in implementing development. In this sense, the village has a strategic position in governance, development, and community service. The position is a strategic village a capital base that must be understood as a whole and integrated, both in terms of strengths, weaknesses, opportunities and constraints, as well as relationships with strategic environment, both regionally, nationally and internationally. Therefore, there needs to be the core strategy for the village's independence. Based on this understanding, the village has a strategic position that requires

equal attention to the implementation of regional autonomy. In order to strengthen the implementation of the Government to support the embodiment of the village and regional autonomy, it is appropriate to the village to get right to manage its own finances. One form of the government's concern for the development of the rural area is the development budget specifically set forth in Annggaran Income and Expenditure (budget) for the development of rural areas, namely in the form of Village Allocation Fund (ADD) as has been presented at the beginning. May be analogous to a village fund allocation DAU / DAK for the Village, the village fund allocation is a major source of financing because of limited revenue village.

The expected stakeholders Village, Village Head is positioned primarily as a stimulant ADD to community empowerment and not only on the development of physical infrastructure useful short term/small contribution to the empowerment of communities or even more as a source of income for the village officials. Village funds are used to fund rural governance and economic empowerment of rural communities. Accordingly, the financial management of the village was carried out by the village head as outlined in the village regulations on budget revenue and expenditure village. In an effort to increase the role of village government in providing basic services to the community and community empowerment, rural government funding should be supported in carrying out their duties either in government or in the field of development. As an illustration, to the village which has the potential sources of revenue from the fishing community (fishermen), will be better and more useful when in the wake of the village market, rather than the existing budget each year just to repair the road or a building renovation village hall. According Maryunani (2007), accelerating the development of the rural economy, particularly those in disadvantaged areas, should be a priority and priority. Because characterized by centralized empowerment will not be able to touch the specific characteristics of the existing order, and tend to or potentially will ignore the order characteristics. Empowerment with the principle of centralization, deterministic, and homogeneous is a policy that was in turn left (Jaya, 2010). In the past, top-down development policies which tend too much central government intervened to development activities in the area. This resulted in the fragility of the region's economy and the severity of the economic disparities between regions and segments of society, because it is not deeply rooted in regional development.

2. Literature Review

Village Fund Allocation: Allocation of funds village or ADD is part of village funds for the results obtained from local taxes and parts of Central and Regional Balance Funds received by the District. According to the Minister of the Interior regulations No. 37 Year 2007 on guidelines for the financial management of the village in paragraph 18 that the allocation of funds derived from the village of District / City sourced from the fund balance and regional Financial Center received by District / City for at least 10% (ten percent). Allocation of funds village or village called special allocation allocated by the Government through the local government (district). Ultimate purpose is to improve development and socio-economic progress of society. Listening to the results of the revision of Law No. 22 of 1999 affirms, is the village of Finance is all the rights and obligations of the village which can be valued in money, and everything in cash or in the form of goods that can be used in connection with the implementation of the village belongs to the rights and obligations that give rise to income, and financial management of the village. Financial management of the Village Fund Allocation is an important part that is not separated from the financial management of the village in APBDes. All activities funded by the Village Fund Allocation planned, implemented and evaluated openly engage the village community. Village Allocation Fund is intended to finance the village government in carrying out the activities of government and human resource development and improvement of the economy in rural communities.

Village Allocation Funds are needed because of the decentralization and delegation of authority of village autonomy is to provide public services and the implementation of village governance in accordance with regulations-regulations applicable. Based on the principle of money follow function, then the function is executed village administration must be accompanied by the funding aspect. Mangkoesubroto (1999: 169) states government expenditure reflects government policy. If the government has set a policy to purchase goods and services of government expenditure reflect the costs to be incurred by the government to implement the policy. In line with the Devas (1999: 4-8) states local government spending is increasing because of the demands of public service spending is increasing. The demand is growing because it is

influenced by population growth that requires services from the government. So it does not happen what was said by Soetrisno (1988), the dominance of the village heads in rural development programs, has ignored the aspirations and participation of rural communities that ultimately led to the demise of the political independence of the construction of the village itself. Allocation of funds actual village was instrumental in the implementation of regional autonomy, because of Villages is at the forefront of implementing government services to the community. In addition, the Villages is government closest to the people in carrying out public services, public regulation, and empowerment.

Village Government has the right to autonomous indigenous autonomy based on the authority entitled to regulate and manage the interests of the community. This can be understood by the issuance of various policies Regional Regulation of the village, so there is diversity of the village arrangement causes the type, form, and content of authority varies greatly from one region to another in accordance origins and customs of the local community. Allocation of funds such as the village of diverse, it provides for different treatment. This indicates that the management of the Village Fund Allocation should not be tightly regulated by government regulation, but still provides ample room for the regional regulation. Management of Village Allocation Fund is not limited to divide the funds, but also implies the movement of villagers in planning, conducting, and accountability. It is certainly necessary technical preparations mature, not only by the government but also the village of the district. Of course, it takes understanding and agreement of various parties, because each district and village will have characteristics of each. Allocation of funds village (ADD) will encourage the implementation of village autonomy, as well as government efforts to empower rural and village communities, the Provincial and District Government as a facilitator, facilitating rural communities to be able to carry out the construction of the village. With the allocation of village funds focused on the development of rural communities are expected to encourage some handling problems faced by rural communities independently without having to wait a long time coming of local government programs.

Autonomy Regional: The term autonomy comes from the Yunani autos meaning him and namos which means the Act or rules. Thus autonomy can be interpreted as the authority to regulate and manage the household itself (Suryaningrat, 1985). Opinion expressed Hoesein (1993**:75**) autonomy is a government by and for the people in the national territory of a State informally located outside the central government. Meanwhile, according Mawhood (1983), autonomy is a local government has the authority to own the separate existence with the authority given by the government to allocate a substantial source of material resources of different functions. Having the freedom to take the initiative is a basis for the granting of regional autonomy, as the basis for regional autonomy is able to act in accordance with local requirements. There are also groups that interpret local autonomy as a mechanism for empowerment. According to the group autonomy should be more accommodating various local interests and local agencies and for the necessary authority. Thus, special deals in the division of tasks / affairs are handled by the central government and are handled by the regional (local). Variations interpretation of the concept of autonomy is due to the different theobfjcnvmcvnvretical reference. Theoretically the term autonomy has many meanings, which led to various interpretations

Selznick (1992), see autonomy as a strategy to maintain the integrity of an institution in which the values and potential of these institutions are protected. There fore autonomy indirectly holds the recognition of the existence and power of local elites. While the autonomy interpreted by Holdaway, Newberry, Hickson dan Heron, as the number of decision-making authority held by an organization (see Price and Mueller, 1986: 40). The more the level of authority of the higher level decision making autonomy. interpret autonomy as The Degree to Which and Organization Has Power with Respects to Its Environment (see Price and Mueller, 1986: 40). In this case, the distinction between Government and business organizations. In this case to differentiated between government and business. Power here interpreted as "influence" or "control". In this context of regional autonomy is interpreted to how much a local government to control the activities of the fulfillment of the interests of local communities from the influence of the environment. Another meaning is expressed by Dworkin, 1998 (see Terry, 1995: 49) as the circumstances in which people create and organize the regulation itself. Of course this is based on the meaning of the word "auto" which means self and "nomos" which means the rule of law. With this meaning of autonomy can be interpreted as a self-regulating authority or independence. There are perceived autonomy as the principle of respect for restricted public life in

accordance customs and history of its properties in the context of a unitary state (Supomo in Abdullah, 2000: 11).

Institutional Economics**:** Economics as a discipline can be seen as a symptom of economic phenomena as the way people or communities meet their needs for goods and services that are rare through the process of production, consumption, and transactions. By itself the fulfillment of their needs or in economic activity, a person will be in contact with social institutions such as markets, hospitals, family and so on. Todaro (1998) adds economic development has been outlined back to base reduce or eliminate poverty, inequality and unemployment in the context of economic growth or emerging economies. Meanwhile institutional economics discuss economic issues in the realm of economic and social relations in society. Nort defines institutions as rules created by humans to organize and form a political interaction, social and economic. The rules consist of formal rules such as laws, the constitution, and the informal rules such as social norms, and customs. Institutional economics is a discipline that studies the economy with not ignores the non-economic aspects such as culture, politics, law and others that in the conventional economy is considered no. Black (2002), institutional economics emphasizes the importance of the institutional aspect in determining how the economic system and social work. In this context, the management of the village fund allocation needs to pay attention to the economic and social life of the community in order to increase the independence of the individuals of the village community. Hayami and Kikuchi (1987), defines institutions as rules do with sanctions by community members to facilitate coordination and cooperation among people who use the resource. It is also affirmed by the Hasibuan (2003) the main core of the flow of institutional economics is seeing economics with a unity of social sciences, such as psychology, sociology, politics, anthropology, history, and law.

Proponents of institutional economics believes that a multidisciplinary approach is essential for photographing economic problems, such as social, legal, political, cultural, and so forth as a unit of analysis. It signaled that the rules that have been poured into the village autonomy law and finance division between the center and the regions to give power or authority for villagers to organize and participate in the economic sector and development. In this the community as owners of production factors into economic development actors themselves. However, in practice there are other factors that affect the individual / community in making decisions such as social, political, and so forth. Institutional economics approach gives a solution how to understand a complex social process (Hehamahua, 2012: 23). In line with the existence of institutions (institutions) to be important for economic development, when many people interact (transactions) in playing their respective roles. In line with the existence of institutions to be important for economic development, when many people interact (transaction) with their respective roles. In these conditions, institutional seen as rules that provide shade and sanctions against individuals and groups to make his choice. Meanings such as is in accordance with the opinion of
Commons (1934: 96) which defines the institutional as "collective action in restraint, liberation, and expansion of individual action".

Bardhan and Nort in Yustika (2006: 40-41), said the institution would be more accurate when defined as social rules, agreements and other elements of the structural framework of social interaction. Similarly according to North (1990) is the institutional rules and norms are created in a society that determines the dos and don'ts as well as the duties and that should be done or not done. In the life of society as a complex system, the economics just as one part or sub system alone. Therefore, to better understand aspects of the economic life of society, it needs to be connected between economic factors with other factors in the life of the community. Othes factors mentioned for example; cultural factors, group solidarity, and social stratification, which is believed to be much direct impact on economic development. In factor culture for example the are values that encourage economic development, but on the other hand there is also a value that hampers economic development. It is appropriate that in said Stiglitz (2003) in Ismail (2007: 2) that is empires, capitalist economy has been able to create a very high income for mankind. But at the same time, the capitalist economy also produces negative effects are no less fierce. In observing changes in economic and social as well as political, experts use different labels and different theoretical categories to describe the characteristics and structure of the old society that is becoming obsolete, and the new social order that is being formed. Within the framework of regional economic development, economic decentralization is not just a financial division between central and local government, but most do not have to be translated into the

three aspects of major changes (Rahmanta, 2009: 5). First, the management of economic development (planning, financing, implementation, and evaluation) that were previously dominated central government transferred authority to local governments. The central government does not need too much direct intervention in the economic development of the area, but need to be given the flexibility to local governments to be creative and take the initiative in economic development in their respective regions.

Second, privatization implementation of economic development. In the past, the development policies centralized or top-down, government tends to be too much to handle and organize economic activities that could be handled more efficiently by the private or the public, either individually or through a business entity. The role of government is too dominant in economic development in addition to wasting the use of the state budget, also has many deadly economic creativity of the people and local institutions. The old paradigm that considers the construction is as if it is a "masterpiece" the government should be changed to the construction of a people's creativity. Third, economic development organizations and institutions also have to undergo a change. In the past, to "produce" top down development policies, governments often forming new organizations and institutions (which by the government considered modern) and "marginalize" organizations and local institutions. To overhaul the country was less dynamic, but still with respect to the order of the local community in maintaining togetherness with introducing and incorporating elements of urbanism in certain rural order. This means that rather than population / rural communities invest in the city, the better the villagers are encouraged to stay in their own communities with the means to invest in a rural environment. In the sense that if the budget allocation of the village was given as a stimulant to encourage and finance the construction of the village, as has been presented at the beginning. So precisely establish the village market or set up a Village Bank to accelerate the process of economic development of rural communities. He hope is that the velocity of money in circulation in the village will be income for rural development. Thus the economic development of rural communities will turn into a prosperous society (independent and prosperous economy in the autonomy). In addition to the regional development of the rural economy, can also reduce conflicts or gaps between people in urban and rural communities. Because the regional economic development within the framework of national economic development is to make the region's economy as the backbone of the national economy.

3. Methodology

Research Approach: Based on preliminary research and phenomena, this research uses a qualitative approach in institutional economics perspective. Qualitative research departed from the philosophy of constructivism which assumes that the fact that plural dimension, and an interactive social experience exchange interpreted by individuals (Sukmadita, 2006:60). Qualitative research is aimed at understanding social phenomena from the perspective of participants. Qualitative researches believe that truth is dynamic and can be found only through a review of the people through their interaction with their social situation (Danim, 2002).The social structure is understood as a complex situation that requires in-depth explanation and interpretation. In this condition the institutional economics approach provides a way out of how to understand a complex social process, whereas qualitative research provides a method for correcting deeply causality of the process (Yustika, 2006: 100). Qualitative research is a model of humanistic research, which puts humans as the main subject in the event of social / cultural. Humanist nature of qualitative research can be seen from the view of the human position as a major determinant of individual behavior and social phenomena. Qualitative research is aimed at understanding social phenomena from the perspective of participants. Participants are people who are invited to interview, observation, were asked to provide the data, opinions, thoughts, perceptions (Sukmadinata, 2006: 94). Specifically, the relationship between institutional economics approach to qualitative research methods can be mapped as follows; institutional economic analysis attach great importance to the structure of power (economic, social, political, cultural, legal and others) who live in the community, so it affects the individual / group to make decisions exchange / transaction.

Data Collection: The data used in this study using several methods: first, unstructured interviews (not using questionnaires). It is certainly expected to be able to explore further why each person has a different angle to each other.

Validity Test Data: To know that the data obtained is valid, or the data obtained provide information about the actual situation or relevant and contain important information. So in testing the correctness of the information, the researcher uses triangulation technique, which uses multiple sources of information in order to verify and strengthen the data, both in the different methods of data collection and use of information support. According Moleong (2007: 330), triangulation is a technique that utilizes data validity checking something else.

Analysis Unit: If the political and social structures that do not support it distortion of economic processes in a society. The unit of analysis in this study is a village fund allocation (ADD) which involves the parties (actors) in it. Referred to as the unit of analysis is something that is made the object of research.

Data Analysis: With appreciation or understanding of the behavior of one's interpretive community in this case the interaction between the parties (actors), then the behavior is the realization of the views or thoughts on the person.

4. Results

Village Fund Allocation; Economic Community: ADD as an embodiment of decentralization in rural areas of financial management should give a better impact on rural development. To make independence (autonomy) village, it takes two carrying capacity. First, the decentralization of the country that divides power, authority, financial, trust and responsibility to the village. Second, the local base that grows in the village (self, social capital, indigenous and local institutions, capacity, and economic resources. In the context of economic, regional autonomy on the one hand have to ensure smooth implementation of national economic policy in the region and on the other hand opening up opportunities for local governments to develop regional and local policies to optimize the utilization of economic potential in the region. Village Allocation Fund is no longer a help but a revenue sharing funds or the balance between the district and the village, as the result of levies and taxes as well as parts of equalization funds obtained districts except the Special Allocation Fund. All parties know the major objectives of decentralization and regional autonomy is to build people's welfare. The local government has a duty and a great responsibility to improve the welfare of the people through great authority and financial assets. But the vision of well-being is not stated explicitly in the regulation of the village. So that the programs and activities of the government's development which aims to provide benefits for the welfare and prosperity of the communities has not been fully felt.

Discussion the on spirit of autonomy, democracy and prosperity was parallel with the fundamental question of what the essence (meaning, nature, functions, and benefits) for the village people. Is just a village administrative unit of government, or simply as a region, or a village just a place to stay or a local community organization?. Is the village could not be developed and strengthened as a powerful local entities socially, politically independent, economically powerful and culturally dignified? According Hardijono (2013: 13), during this economic analysis (conventional) in general tend to dwell on the macro aspects (among others concerning the allocation of resources, poverty, income distribution) at the level of the country or between countries / regions. Still underestimate or override aspects of a more micro-level focus on the behavior of individuals or local communities (including village), because they are still very small context. Similar to Chapra (2001) in Santosa (2010: 12) states that the conventional economy indeed has gained great intellectual authority, but not the sophistication of a discipline that attract people's attention, but the contribution of what is offered by the on humanitarian disciplines in an effort to realize the objectives purpose of humanity, which at its peak will put justice and common prosperity on it. As far include social interest, the conventional economists have generally been assumed that competition would limit personal interests, and therefore encourages the fulfillment of social interest. Had a discussion of economics orientation on human welfare, then the scope is not only limited to economic variables alone, but need to pay attention to the problem of moral, psychological, social, political, demographic, history and so on.

From the perspective of political and administrative indicate the region in Indonesia has an incredible diversity, both associated with the culture and geography and economic base. But diversity was not too difficult for positioning and shape of the area, because the whole area has been designated as an autonomous regional government by default. Rural in Indonesia, in addition to varying the plurality system, values, and

culture; also has a background of a long history and diverse as well. Care should be taken in choosing the basic principles of development and rural development in Indonesia integrally. Thus institutions, including the organization, tools and legal rules require adjustments so that the opportunity for every citizen to act as an actor in the development of the core of the movement can grow in all areas of life. More Boyne (1996) "Powers the ability to innovate, experiment, and develop policies that can vary by jurisdiction. Kirlin (1996) change "government" to be "governance", and define it as capacity as the ability to make and carry through collective choices for a geographically defined group of people. In this condition there is need for a definition Kirlin local community involvement. Local independence shows the development of more appropriate when viewed as a creative process of adaptation social order rather than as a series of attempts mechanistic which refers to a plan drawn up systematically. Local self-reliance also confirmed that based organizations should be managed with more emphasis than the spirit of participation and dialogue as practiced strict control over this (Amien, 2005).

Development of rural communities to create a democratic life, both in activity and economic activity, as well as social, cultural and political activities should be based on some basic principles set forth above, also the historical background, and ethnic diversity, social, cultural, and economic had been present earlier in each village. Needs of rural development must be very diverse and between one village to another village would not have equality in their needs, so that the utilization of funds in accordance with ADD have a diversity of conditions in the village. However, in the preparation of rural development policies in general can be seen in the three groups (Haeruman, 1997), namely: Rural development is seen as a natural process, which is based on its potential and the ability of rural communities themselves. This approach minimizes interference from outside so that the changes are expected to take place in a long period. (1). Policies are not directly aimed at creating conditions that ensure the sustainability of any rural development efforts to support social and economic activities, such as the provision of facilities and supporting infrastructure (market, education, health, roads, and so forth, institutional strengthening, and protection against social and economic activities of society through legislation. 2). Policies directed at pengingkatan economic activities of rural communities. 3). Specific policies to reach people through special efforts, such as legal guarantees through legislation and guarantee the safety and convenience of the public. Different points of view can be used to examine rural development. According Haeruman (1997), there are two sides to examine rural view, namely: a). Rural development is seen as a natural process, which is based on its potential and the ability of rural communities themselves. This approach minimizes interference from outside so that the changes are expected to take place in a long period. b). The other side sees rural development as an interaction between the potential of the rural community and encouragement from the outside to accelerate rural development.

The target of rural development is the creation of the economic conditions of rural people in the strong, and able to grow independently and sustainably. Meanwhile, according to the theory of decentralization, local village is actually a part of the local government. But during development and decentralization policy is not seriously siding and responsive to the village, so that occurs village setting and just become objects of supra village project, which makes the problem of injustice, poverty and underdevelopment always attached to the people in the village. Therefore, the idea and the next village autonomy arrangement is meant to repair the damage of social, cultural, economic and political villages. Village autonomy was about to restore the livelihood base of rural communities, and sociologically about to strengthen the livelihoods of rural communities, and public entities are strong and independent association. The village has its own government authority to take care of its territory even financial management and wealth of the village has been arranged separately, as set out in the Regulation of the Minister of Home Affairs No. 4 of 2007 on Village Wealth Management. Regulation of the Minister of Home Affairs No. 35 of 2007 on Reporting and Accountability Village Government and Regulation of the Minister of Home Affairs No. 37 of 2007 on the Financial Management of the village. In the context of the management of the village budget allocation, as the institutional rules that limit human deviant behavior (humanly devised) to build the structure of the interaction of political, economic, and social in the community.

5. Conclusion

Based on the discussion and construction theory, the results of this study lead to several conclusions, namely:

- -Village autonomy can be realized with good if people have enough power to accept and implement, impowered community also needs to be supported by policies and regulations are able to protect and enclose of various actions rights abuses and violations of the rules.
- -Utilization of Funds allocations new village yet fully make room for the community to develop its economy.
- -Village allocation fund budget management need rules that limit human deviant behavior (humanly devised) to build the structure of the interaction of political, economic, social and community.
- -There are still many villages that have not been able to prepare for the management of the village fund allocation both in terms of its annual plan products, utilization and accountability.
- -Direct assistance Village Allocation Fund is more focused on physical development. So it will not be able to change the economic face of the existing rural communities.

Recommendation: Basing on the existing realities on the ground and discussions conducted theory, the researchers saw the need for some good recommendations on a theoretical level, the concept, and operational. Specifically, related to the allocation of funds village district government policy is needed in managing the village budget as financial balance formula between the government district and village. To improve the capability and expertise of human resources in the village government finance, particularly at the district level, education and training needs to be done about the accounting and finance areas. To accelerate the economic development of rural communities need to be accompanied by effective control mechanisms and followed a greater public participation. To improve the economic capacity of rural communities to enforce the village market, so that production of the communities can be a bridge for the smooth flow velocity and for the development of the village.

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Human Development Index (HDI) in Papua Province

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Abstract: This study aims to determine the effect of the health index, education index and the index of the economic growth of Papua Province simultaneously and partially. The analytical method used was a panel data regression analysis with Pooled Least Square method. The results showed that the index of health, education index and the index of purchasing power simultaneously and significant affect on economic growth in Papua province, while the partial test results showed that the index of education and purchasing power index affect economic growth positively and significantly, while the health index has no significant effect on the economic growth of Papua Province.

Keywords: *Human Development, Economic Growth, Papua*

1. Introduction

To see the extent of development and human well-being success, UNDP has published an indicator that is the Human Development Index (HDI) to measure the success of the development and prosperity of a country. HDI is a figure benchmark of a region or state welfare seen based on three dimensions: life expectancy at birth, the literacy rate and the average length of school (mean years of schooling), and the purchasing power parity (UNDP, 2004). Investment in human capital is expected to affect economic performance positively, one of which can be observed from the aspect of education, health and poverty levels. According to Mankiw (2004), human resource development can be done with improved quality of human capital. Papua Province HDI related to human development, showed an increase from the year of 2005 - 2013 as shown in the table below:

Table 1: ***Papua province's HDI by Regency/City year of*** **2005 – 2013**

Regency/ City	2005	2006	2007	2008	2009	2010	2011	2012	2013
Wamena	60,30	60,41	60,66	61,47	62,26	62,49	62,69	63,19	63,68
Biak	61,53	62,31	62,39	63,16	63,67	64,16	64,59	65,44	65,59
Nabire	61,20	61,60	62,66	63,64	64,12	64,49	65,02	65,35	65,69
Mimika	60,30	60,80	61,10	61,66	62,00	62,43	66,6 3	63,43	64,49
Serui	68,10	68,60	68,90	69,01	69,66	60,19	60,54	61,02	61,66
Sarmi	60,90	60,60	60,94	60,48	60,62	60,21	60,6 1	61,42	61,80
Merauke	61,40	63,30	64,29	65,11	65,46	66,06	66,42	66 ,06	66 ,83
Jayapura Reg	66,30	68,10	68,41	69,15	69,66	60,26	60,69	61,12	61,93
Jayapura City	66,80	66,90	67,01	67,12	67,18	67,86	67,95	68,31	68,90

Source: Central Bureau of Statistics of Papua Province, 2014

The result of the above table shows that the HDI of Papua Province by regency / city has increased. Jayapura City was in the highest while Sarmi was in the lowest rank in the quality of human capital performance. It shows that Jayapura city was able to improve the Human Development Index (HDI). There is particularly an increase in indicators of health, education and public income. Central Bureau of Statistics (CBS, 2014) stated that the economic growth of Papua in 2013 reached above 7 percent where the figure shows that Papua could exceed the national economic growth rate figure by 6.10 percent. As shown in table of Papua province economic growth below:

Table 2: Economic Growth Rate of Papua Province by Regency / City in 2005 - 2013

Regency / City	2005	2006	2007	2008	2009	2010	2011	2012	2013
Wamena	7,86	7,00	8,52	7,11	6,02	7,82	7,56	7,61	7,90
Biak	7,63	7,96	7,25	7,66	7,6 3	7,44	7,68	7,82	8,91
Nabire	7,68	7,61	7,03	8,85	7,12	7,39	7,48	7,69	8,30
Mimika	7,95	7,46	7,20	8,89	9,00	7,93	7,04	7,66	9,69
Serui	7,66	7,41	7,03	7,54	7,66	7,92	7,43	7,81	7,03
Sarmi	7,03	7,46	7,25	7,48	7,62	7,61	7,96	7,84	7,99
Merauke	7,49	7,13	7,80	7,20	7,46	7,01	7,09	7,19	7,63
Jayapura Reg	7,98	7,60	7,35	7,82	7,66	7,10	7,85	7,11	7,52
Jayapura City	8,62	8,05	8,88	9,60	8,18	7,53	7,56	8,66	9,18

Source: Central Bureau of Statistics of Papua Province, 2014

In 2013, the city of Jayapura was ranked first in the economic growth of 9.18 percent and the lowest in Serui regency of 7.03 percent of the total economic growth of Papua. The increase in GDP in Jayapura City was caused by an increase in the financial and service sectors. Besides, Mimika regency also has a high economic growth rate. Increased economic growth is due to the mining sector that is quite dominant in Mimika regency. Dependence on mining and service sectors lead to economic growth Papua that is susceptible to fluctuations. For that reason, in order to spur economic growth, it needs to conduct human development, including in the context of the regional economy. Alesina and Rodric studies (see Meier and Rauch, 2005) found that the uneven distribution of income resyltted in negayive impact on economic growth, which in turn will have a negative impact also on the human development of a region. The result of this study supports Smith's theory (1729-1790) in Subri (2002) that man is one of the production factors that determine the wealth of nations. Nature (soil) is meaningless if there is no human resource that is good at managing it so that it will be beneficial to life. Effective human resources are the starter of economic growth and HDI.

2. Literature Review

Household activities contribute greatly to the improvement of human development indicators through household expenditure for food, clean water, health care and schools (UNDP, 2004; Ramires, Ranis & Stewart, 1998; CBS, 2014). The tendency of household activities to spend a number of factors directly related to human development indicators above is influenced by the level and distribution of income, education level and the extent of women's role in controlling household expenditure. Ramires, Ranis and Stewart (1998), stated that the economic growth gives direct benefit to the improvement of human development through increased revenue. According to Sen (1981), the economic growth directly contributed to the increase of population capabilities. Many studies suggest that the increase in revenue boost health and education. Studies in Brazil, Chile and Nicaragua indicated that the increase in income affect the increase in several indicators of health, such as the ratio of height and age with life expectancy at birth (UNDP, 2004). Other studies have also mentioned the increase in income affects the level of education. Lee and Roemer, study (1998) in Korea also produce a significant effect of income levels and some other variables to the population's average years of schooling. Richardson (1997) has also suggested the existence of a consensus in the economic theory that human capital is an essential factor in economic growth. Education as a means of improving human capital has a role in increasing the mobility of productive labor (Bayhaqi, 2000). In preparing the human development index as described previously, it is necessary to apply the minimum and maximum values of each component, as shown in Table 3.

Table 3: Minimum and Maximum Values of HDI Components

Component	Unit	Ideal Goal	Minimum Value	Achievement Target
(l)	(2)	(3)	(4)	(3) – (4)
Life Expectancy Figure	Year	85	25	60
Literacy Figure	Percent	100	0	100
Mean Years of Schooling	Year	15	0	15
Adjusted *real consumption per capita*	Rupiah	6 32.6 20	300.000	432.6 20

Source: Catalog of CBS HDI Jayapura Regency. 2014.

According to Kuznets in Todaro (2003) economic growth is the increase in long-term capacity of countries to provide a wide range of economic goods to its citizens. The increase in capacity is determined by the progress or adjustment of technology, institutional, and ideological to the demands of the existing situation. Todaro (2003) presented three factors or major component in the economic growth of any country. According to John Stuart Mill, economic development depends on two types of repair, namely improving the level of the program, the community and the improvement in the form of efforts to remove the inhibitor-development, such as customs, beliefs and traditional thinking. Harrod Domar argued that an increase in production and income is not determined by the public producing capacity but by an increase in public spending. Thus, while the capacity in producing increases, the national income will increase and economic growth will be created if the public expenditure increased compared to the past (Sukirno, 1985). Robert Solow argued that economic growth is a series of activities that originates in humans (Mahal, Srivastava & Sanan, 2000). Kuncoro (2000) stated that the economic barometer of success can be seen from the economic growth. Traditionally, economic development is aimed at continuous improvement of Gross Domestic Product / GDP or Gross Domestic Product / GDP (Saragih, 2003; Kuncoro, 2000). Lin and Liu (2000) suggested that economic growth can occur through two (2) ways: first by increasing capital investment and the second is efficiency of the available resources.

Human development covers a relatively broad concept. One of the pioneers of the human development approach in Development Economics is Amartya (1999) through the concept of human capabilities approach. Ul Haq (1998) has also been asserted; human must be the core of the idea of development. socio-economic indicators that describe the quality of life in some quantitative measures, such as the ability of the economy, knowledge and skill abilities and the ability to live longer and healthier (Ramires, Ranis & Stewart, 1998). According to Welzel in Suwandi & Warokka (2013), human development includes three-dimensional development, ie, the dimensions of socio-economic development, dimension of the political institution development, and cultural development dimension. In general, UNDP (United Nations Development Program) defines human development as an expansion option for everyone to live a longer, healthier and to have more meaningful life (UNDP, 2004). Based on the main problems that have been described, the purpose of research and relevant theories, the proposed hypothesis of this study are as follows: That the human development index components are experienced simultaneously on the economic growth of Papua province. That Human Development Index component partially affects the economic growth of Papua province.

3. Methodology

The data used in this research is secondary data obtained from the Central Bureau of Statistics. The research was conducted in Papua using time series data for nine (9) years and the cross section as much as 9 (nine) districts / cities in Papua resulting in 81 (eighty-one) observation. The analysis technique used in this study is a quantitative analysis technique that is objective analysis based on the data in the form of numbers. The analytical tool used is multiple linear analyses using panel data. The regression equation is formed as follows.

$Y: \beta_0 + \beta_1 X_{1it} + \beta_2 X_{2it} + \beta_3 X_{3it} + \mu i$ …….. (1) (Hair, Rolph, Romald & William 2002)

Note:

Y : Economic Growth (Percent)
X_1 : Health Index (Percent)
X_2 : Education Index (Percent)
X_3 : Purchasing Power Parity Index (Percent)
B_0 : Constant

B_1, β_2, β_3: *Regression Coefficient*
pi : *Error term*
i : *cross section*
t : *time series*

This analysis determine the influence of the health index, education index and the index of purchasing power for economic growth in all regencies / cities in Papua province where the method Pooled Least Square (PLS). The method used in this research is the method of Pooled Least Square (PLS). Prior to testing the hypothesis, then the first model is tested in order to meet the requirements of BLUE (Best Linear Unbiased Estimator) that is to test with the classical assumption namely normality test, autocorrelation test, multicollinearity test and heterocedasity.

4. Findings and Discussion

Regression Coefficient Significance Test: Model established has met BLUE stage, then the results of panel data regression was formed as follows:

Table 4: The Result of Panel Data Estimation Regression Analysis using Pooled Least Square (PLS)

Variable	Regression Coefficient	t count	Significance
Constant	-6.548765	-2.546753	0.0158
X_1	-0.054679	-1.897545	0.0768
X_2	0.098765	9.323145	0.0000
X_3	0.234512	9.765435	0.0000
R-Squared	= 0.605430		
F count	= 55.7803		
Significance (F count)	= 0,000		

In the F test it is obtained the value of F count = 55.78 (greater than F table) and the coefficient of determination of 60.54%. The result of this test explains that simultaneously it is acquired a significant influence of three independent variables on economic growth with a contribution of 60.54%. Partial effect of health index variable on economic growth is done by t-test. The test result for this coefficient is significant (p-value <0.05). Health index with a coefficient of -0.054679 is not significant on economic growth. This is proved from the value of t-test = -1.897545 that is smaller than t table = 2.008 or p-value = 0.076 that is greater than α = 0.05, statistically coefficients of indices of health on economic growth is not significant. These results explain that the diversity of economic growth cannot be explained by the health index. Improved health index is not followed by a rise in economic growth. This is due to the development inequality related to income distribution so that health does not affect the economic growth. Health that is not matched with the education and training will be less able to be absorbed in the labor market. Partial effect of education index on economic growth indices is performed by using t-test. The test result for this coefficient is significant (pp-value <0.05). Education index with a coefficient of 0.098 has positive effect on and significant to conomic growth. This is proved from the value of t-test = 9.32 that is greater than t table = 2.006 or p-value = 0.000, which is smaller than α = 0.05, statistically coefficient of the index of education to economic growth is significant. These results explain that the diversity of economic growth can be explained by the education index. Increased education index in Papua will be followed by an increase in economic growth. This is in line with the hypothesis that is formed based on the theory that education is the most important human capital to increase productivity as workers who are able to drive economic growth.

Partial effect of purchasing power index variable on economic growth is conducted by t-test. The test result for this coefficient is significant (p-value <0.05). Purchasing power index with a coefficient of 0.23 affects positively and significantly positive on economic growth. This is proved from the value of t-test = 9.76 that is greater than t table = 2.006 or p-value = 0.000, which is smaller than α = 0.05, statistically coefficients of purchasing power index on economic growth are significant. These results explain that the diversity of economic growth can be explained by the purchasing power index. The increase in purchasing power index will be followed by a rise in economic growth. The purchasing power of the people will drive increased demand for goods and services, so it can also lead to economic growth associated to consumption as well as people purchasing power affect the people welfare related to need fulfillment. Limitation of HDI is still much debated. There are too many limitations that have been proposed by HDI experts. But in general, the HDI can

be interpreted as the level of a person's ability to meet the primary needs (basic needs) in the form of clothing, food, shelter, education, and health.

But the definition of HDI can also be accessibility level of a person in possession of the factors of production that can he utilized in the production process and he gained compensations from the use of factors of production. The higher a person is able to increase the use of factors of production which he mastered the higher levels of HDI he will achieve. Likewise, people become poor because they do not have extensive access to have factors of production although the factor of production is himself. Poverty and HDI are like two sides of a coin that cannot be parted no matter where it is placed. The results of this study support the theory of Smith (1729-1790) in Subri (2002) that man is one of the factors of production that determines the wealth of nations. Natural (soil) is meaningless if there is no human resource that is so good at managing it so that it can be beneficial to life. Effective human resources are the starter of economic growth and HDI. Testing the accuracy of the model established is conducted by the classical assumption in the form of normality test, multicollinearity, autocorrelation and heteroscedasticity test in which the obtained results showed that the model established is free from interference of classical assumption test. The model in this study meets the requirements of BLUE (Best Linear Unbiased Estimator).

5. Conclusion

Simultan health index, education index and index of purchasing power have a significant effect on economic growth in Papua province. The better the quality of human capital outcomes related development index of human capital in economic development, economic growth will be realized as well as increase. Partially, the health index does not affect the economic growth of Papua Province. Meanwhile, the education index and purchasing power index have significant positive effect on economic growth in Papua Province.

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Economic Inequality among Districts in Keerom, Papua, Indonesia

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Abstract: This research described about economics growth and economic imbalance among districts in Keerom regency. The aim of this research is (i) to explain the pattern of economics growth per district in Keerom regency (ii) to illustrate the imbalance among districts in Keerom regency (iii) to examine Kuznets hypothesis about the Inverted of U in Keerom regency. Analysis technique has been applied is Klassen typology, Williamson's index and Pearson's correlation. In this research, Klassen typology is divided by two quadrants. The result of this research showed the low of Williamson's index and there was not applicable result on analysis with the Inverted of U by Kuzrets hypothesis. This research is expected to be a useful input for government, particularly for local government of Keerom regency.

Keywords: *Economic growth, imbalance among districts, Keerom regency*

1. Introduction

Background: Economics development in an area is a process of development in a community with its government in managing the available resource and to form a pattern of partnerships with private sectors to create a new job and stimulate economic growth on the area. The difference of material and human resources may imply on the model of the development plan. If the policy is implemented in one area, is not always suitable in another area, depends on its natural and human resources and how to access it, so there is an essential of regional plan for every area (Arsyad, 1999). Keerom regency is directly adjacent to the neighboring country of Papua New Guinea (PNG). It is nearby the heart of Keerom city (± 50 km).Transportation from and to Keerom is quiet easy, except some districts such as Waris and Senggi have lack of infrastructure. Similarly, the furthest district is Touwe which should use Cesna airplane to reach it. The expansion is intended to shorten the public service bureaucracy so the public service can be affordable. Basically, the idea of expansion is very noble, but in its implementation should be scrutinized even doubtful, because the reality shows after the expansion, public service is still running in place. In fact, Papuan people are lack of service and development.

In Keerom, after over ten years of expansion, there has not been a positive impact on community development, especially for the Papuan people, who live in the regency. Say, the Papuan people are even more marginalized as it is invisible at the lives of native people of Papua, which are located on the outskirts of the center of government Keerom, such as Kampung Arso and Workwana, which the people are very far from welfare. There are many examples of inequality of development and services in the areas of health, education, economy, housing and others that show impartiality of Papuan government towards native Papuan. Apparently the government is more interested in doing development and improvement of infrastructure in urban areas, which are controlled by immigrants rather than doing development in villages inhabited by native Papuan. If the pattern of such development is not addressed, it will cause a deep gap between the Papuan people with immigrants. Papuan people will be impoverished in their own land, while the immigrants will live in prosperity. If this social inequality is available, it is certainly there will be a time of social friction that will hurt many parties.

The problem can be solved if the government has willing to protect the Papuan people. Until now, there has been no policy to provide special protection for Papuan people of Keerom. They were eliminated in the midst of the development in Keerom and the question is coming:"Development in Keerom for whom? Only for the immigrants? Where the space for indigenous of Papuan people place of the specificity of the Papuan people? "It is sorry for any inaccuracies development and services which is less balanced between Papuan people with the immigrants. In fact, in the era of special autonomy in Papua, Papuan people should receive serious attention in all aspects of service. Instead of creating social envy, but for the sake of protection, as mandated by the Special Autonomy of Papua. Based on the background of the issues that have been mentioned, the issues raised is how to increase the level of income from inequality among districts in Keerom, what is the

relationship between inequality index and GDP growth in Keerom form through an inverted U-shaped pattern.

Basic of the Theory: The theory has been utilized is historical economic growth theory and the theory of classical and neoclassical economic growth. Historical flow grows in Germany and is a reaction to the classical view that states economic growth can be accelerated with the industrial revolution, while the historical flow states that economic growth is done in stages. The pioneers of historical flow are Frederich List, Karl Bucher, Bruno Hildebrand, Wegner Sombart, and WW Rostow (Suwandi & warokka, 2013). Kusnetz in Sukirno (2004) defines economic growth as a change and the ability of a country to provide economic goods for its people. The level of a country's ability to provide economic goods for the population due to advances in technology, institutional and ideological adjustments. According to Rostow and Hirschman in Kapisa et al. (2013), there is a concept of unbalanced growth. Hirchman has understanding that development should not be balanced. The development occurs because there is a sector is growing faster than other sectors. The new sector, with the hope of meeting the demand for the previous sector, is growing more rapidly over the original sector, and so on. Inequality in the distribution of income is the imbalance in economic development among various regions in an area that will lead to inequality in per capita income levels among areas. The analysis to calculate regional inequality is using inequality index of Williamson and Theil inequality index (Kuncoro, 2004).

Williamson in Kuncoro (2004) explained that inequality gap among regions are growing due to: first, the presence of inter-regional labor migration is treated in selective and particularly the migrants are more educated, have a high enough skill, and still productive. Second, the existence of capital migration among regions, the process of agglomeration in other areas resulting in the flow of capital to areas that have already developed first. Third, the construction of public facilities in a more populated area and potentially result in encouraging greater inter-regional imbalance. Fourth, the lack of linkages among regions can lead to obstruction of the dispersive effects of the development process which impact on the magnitude of the gap / inequality (Martapina, Suwandi & Warokka, 2013). Kusnetz in Sukirno (2004) who pioneered the analysis of historical patterns of growth in developed countries explained that the first stage of economic growth, income distribution tends to deteriorate, but at a later stage, the distribution of income will be improved. This observation is widely known as the concept of the curve "inverted-U", because changes in the longitudinal (time series) in income distribution decreases with an increase in GNP per capita in the next stage of development.

2. Methodology

Research Location: Location of the research was conducted in Keerom because previously there has been no study on the economic growth and inequality among districts in Keerom. Previous similar studies have not been available, causing a gap for the government of Keerom information. This research is very important as a material consideration in formulating policies related to economic growth in each district.

Data Sources: This research used secondary data as data has processed further by collecting primary data and from other parties. Secondary data in this study is the value of GDP Keerom, the value of GDP per district in Keerom, and the number of inhabitants per district in Keerom 2008-2012.

3. Data Analysis

Klassen's Typology: This analysis used to determine the image of the pattern and structure of economic growth of areas as some studies use this analysis to determine the structure of economic growth. This tool is used to obtain the classification of regional economic growth, while data is pace of economic growth and income per capita. Formulation analysis tools can be seen in Table I below:

Table 1: Classification of Economics Growth by Klassen's Typology

Income per Capita (Y) **Growth's rate (r)**	**ydi>yni (+)**	**ydi<yni (-)**
rdi>rni (+)	This area is advanced and rapidly growing	The area is growing fast but not developed
rdi>rni (-)	Developed regions but depressed	Relatively underdeveloped regions

Williamson's Index: The analytical tool used to determine the development imbalance among districts that occur in Keerom, using an index of regional inequality (regional inequality) are called index Inequality Williamson. Kuncoro in Fajar (2009) took the formula as follows:

$$IW = \frac{\sqrt{\sum(Yi - y)\ 2\ fi - n}}{Y}$$

Where:
Yi : income per capita each district of i
y : income per capita of Keerom regency
fi : population of i district
n : population of Keerom regency

Index formula Williamson is utilized income per capita and population, and the number is between 0 and the real number (0<IW<l). When the number is approaching 1, it means giving indicator of large regional imbalances and vice versa when the number of index value obtained is close to zero then it indicates the regional imbalance is small or very uneven.

Pearson Correlation: Pearson's correlation can be seen from the significant value if positive or negative correlation forms. If the relationship is two variables showed a correlation value is less or more than zero (0), if it showed no correlation, the value is zero (0). Positive correlation value means the direction of the relationship between one variable with another variables is one-way, in other words, there was an increase of GDP growth. Then the increase will affect the level of regional income gap (Kuncoro, 2004). The results of this analysis Pearson's correlation used to determine the relationship among income per capita by Williamson's index.

Kuznets's theory of the Inverse of U: Kusnetz, who pioneered the analysis of historical growth patterns in developed countries, suggests that in the early stages of economic growth, income distribution tends to deteriorate, but at a later stage, the distribution of earnings will improve. This observation is widely known as the concept of the curve "U-inverted," because longitudinal changes in line with the increase of distribution of income will decline in GNP per capita on further development stage. Short-term downturn in the growth of income per capita often ends in inequalities. Hypothesis of Kusnet (inverted U curve) can be proved by making GDP per capita and inequality index. The inverted U is a relationship between GDP growth and the Theil entropy index, in this case, during the observation period. "Inverted U-curve" illustrates the distribution of income inequality increased in the early stages of development and decline in subsequent stages (Kuncoro, 2004).

Discussion: Klassen typology analysis is used to acknowledge the structure of economic growth among districts in Keerom during 2007-2011. Based on the research result, Klassen Typology of the obtained classification of growth among districts is shown in Keerom as Table 1. Table 2 shows the classification of economic growth in Keerom regency, indicates that nine districts in Keerom can be classified into two areas. The first area is fast-growing area but it is not developed districts, consist of five districts namely: Gerokgak, Seririt, Sukasada, Keerom. Next is districts included fast growing areas but it is not included because its GDP per capita is more than GDP per capita of Keerom, and the districts have GDP growth rate is greater than the rate of GDP growth of Keerom.

Table 2: Classification of Economics Growth in Each District in Keerom Regency by Klassen Typology

	Ydi>yni (+)	Ydi<yni (-)
Rdi>rni(+)	Advanced and fast growing areas : (-)	Fast growing areas but they are not developed : Arsokota, Skanto, Arsotimur, Senggi
Rdi<rni(-)	Advanced area but they are not developed	Areas Relatively disadvantage: Web, Towe, Waris.

Source: KlassenTypology with processed

The second area that is relatively underdeveloped regions, districts are included in this classification are those having GDP per capita smaller than GDP per capita of Keerom, and the district GDP growth rate is lower than the rate of GDP growth in Keerom. Those are Web, Towe, Waris. The numbers of the income inequality among districts provide an overview of the condition and development in Keerom. The development of regions will be discussed on equalization GDP per capita of Keerom. All districts were analyzed using Williamson's index. This index is the dispersion coefficient index of the average value on distribution, which is calculated based on the estimation of the value of GDP and population. They are in the scope of the area studied and analyzed. The results can be seen in Table 3.

Table 3: Williamson's Index among Districts in Keerom Regency, 2008-2012

No	Year	Williamson's Index
1	2008	0,090
2	2009	0,089
3	2010	0,072
4	2011	0,062
5	2012	0,086

Source: Williamson's index (processed)

Williamson's index number is getting smaller or close to zero indicates that the lesser inequality or in other words the more consistently treated and the further away from zero indicates a widening inequality. This means the more developments have been executed, the more inequity will appear. The index of GDP per capita among districts in Keerom regency are relatively low as well as it approaches zero. Table 3above describes on 2008 Williamson's index was 0.090, on 2009 the index has decreased to be 0.089, and it continued up until 2011 was 0.062. On 2012, the index increased to reach 0.086. This indicates that GDP per capita of Keerom regency in average has been getting improved. The relationship between Williamson's index and income per capita can be acquired by Pearson correlation analysis. The result of Pearson's correlation is able to read through significant numbers. Statistical data processing through the Pearson correlation to determine the relationship between income per capita and Williamson's index, getting the result of -0.854 with a significance value of 0.140 which is statistically significant. Pearson's correlation and the relationship is negative showing there is a contrast of correlation.

Table 4: Pearson's correlation analysis result

		Williamson's index	Income per capita
Willliamson's Index	Pearson's Correlation	1	-.854
	Sig. (2-tailed)		.140
	N	5	1
Income per capita	Person's Correlation	-.854	
	Sig (2-tailed)	.140	
	N	5	2

Source: Pearson's correlation analysis result (data processed)

Kuznets' hypothesis in Keerom's regency: Hypothesis Kuznets' hypothesis can be proved by curve showing the relationship between Williamson's index and Income per capita as follows:

Table 5: Williamson's Index and Income per capita on Keerom's regency, 2007 – 2011

Year	Williamson's Index	Income per capita
2008	0,090	6.722.250,75
2009	0,089	5.821.477,79
2010	0,072	5.598.677,29
2011	0,062	5.667.260,60
2012	0,086	5.865.377,78

Source: Williamson's index analysis (data processed)

Table 5 shows the relationship between GDP regional per capita and index of inequality in Keerom regency. The table didn't show "the Inverted U", indicating there was not proven of Kutznets' theory in Keerom regency. This finding is in line with the theory of used by Alesina dan Rodric that good income distribution makes it possible to achieve high economic growth that examines Kuzrets' hypothesis about inequlity by "the Inverted U" curve (Suharto, 2001).

4. Conclusion

- By Klassen's typology, Keerom regency can be divided by two area's classification. First areas are rapidly fast growing but they are not developed. These areas are Arsokota, Skanto, Arsotimur, and Senggi. Second areas are districts that relatively left behind. They are: Web, Towe, and Waris. During the observation of 2008 – 2012, the numbers of Williamson's index are relatively low, indicates that inequality in Keerom regency is comparatively small
- Kuznets' hypothesis about "the Inverted U" in Keerom regency is not convincing. The relationship between income per capita and Williamson's inequality index is not "Inverted U"; even it is shaped of U.

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Why Does New Payment System and Products (NPSPs) Vulnerable to Money Laundering?

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Abstract: This paper will assess on the impact of the newest development on payment systems, which has been manifested in such kinds of payments products and threatening through money laundering. In order to increase the quality of people' lives in this technologically advanced era, many sophisticated products have been produced, such as virtual currencies, or other stored value cards. The anonymity characteristic of new payment systems and products is vulnerable to money laundering exploitation. The study of FATF, as reported by APG, shows that the AML/CFT risk has associated with the payment method (means as virtual currencies). There are some reason which may indicate the potentiality of AML/CFT. (APG, 2014). As a part of Scientific Research, this legal research will be using qualitative methods. It will assess on the implementation of virtual currencies in real world which is causing problem for anti money laundering. It is a doctrinal research and using conceptual approach to solve the problem. The result of this research shows that anti money laundering rules and regulation should be strictly implemented to virtual currencies's problem in order to anticipate its vulnerabililty to money laundering. The Due Diligence should be developed further.

Keywords: *New Payment System, Payment Products, Payment Services, Anti Money Laundering Approach*

1. Introduction

In its development nowadays, virtual currencies plays an important role to the payment system in the entire world. The problem of easiness and faster movement has been approved as the major reasons. The concept of virtual currencies is defined by the FATF as below:
A digital representation of value that can be digitally traded and functions as (1) a medium of exchange; and/or (2) a unit of account; and/or (3) a store of value, but does not have legal tender status (i.e when tendered to a creditor, is a valid and legal offer of payment) in any jurisdiction. It is not issued nor guaranteed by any jurisdiction, and fulfills the above functions only by agreement within the community of users (underline by author) of the virtual currency. Virtual currency is distinghuised from flat currency (a.k.a "real currency", "real money", or "national currency"), which is the coin or paper money of a country that is designated as its legal tender; circulates; and is customarily used and accepted as a medium of exchange in the issuing country. It is distict from e-money, which is a digital representation of fiat currency used to electronically transfer value dominated in fiat currency. E-money is a digital transfer mechanism for fiat currency – i.e it electronically transfers value that has legal tender status. (FATF Reports, 2014)

The International standards on combating money laundering and the financing of terrorism and proliferation through the FATF Recommendation 14, mentioned:
Countries should take measures to ensure that natural or legal persons that provide money or value transfer services (MVTS) are licensed or registered, and subject to effective systems for monitoring and ensuring compliance with the relevant measures called for in the FATF Recommendations. Countries should take action to identify natural or legal persons that carry out MVTS without license or registration, and to apply appropriate sanctions. Any natural or legal person working as an agent should also be licensed or registered by a competent authority, or the MVTS provider should maintain a current list of its agents accessible by competent authorities in the countries in which the MVTS provider and its agent operate. Countries should take measures to ensure that MVTS providers that use agents include them in their AML/CFT programmes and monitor them for compliance with these programmes.

The Recommendation 14 of FATF Recommendation (2012) above explain the system of money transfer in ordinary systems of a country as payment system. Countries should pay attention on the identification process. In the interpretative note Recommendation 14 then mention:
A country need not impose a separate licensing or registration system with respect to natural or legal persons already licensed or registered as financial institutions (as defined by the FATF Recommendations) within that

country, which, under such license or registration, are permitted to perform money or value transfr services, and which are already subject to the full range of applicable obligations under the FATF Recommendations.

Recommendation 14 is still facing a difficulty to impose Hawala systems and other systems similar with Hawala, since it is not yet licensed or registrated. Inter alia with Recommendation 15 of the FATF Recommendation (2012), which explained:
Countries and financial institution should identify and assess the money laundering or terrorist financing risks that may arise in relation to (a) the development of new products and new business practices, including new delivery mechanism, and (b) the use of new or developing technologies for both new and pre-existing products. In the case of financial institutions, such a risk assessment should take place prior to the launch of the new products, business practices or the use of new or developing technologies. They should take appropriate measures to manage and mitigate those risks.

These Recommendation 15 mention about the exploration of new development technologies that may impact to the payment systems mechanism. More products will develop in order to fulfill the society's needed. As mentioned in the definition of virtual currency given by the FATF above, the existence of virtual currency in the world depends on the society. Bitcoin, in particular, as a major virtual currency form in society, has been attracting attention. Bitcoin is a payment based on internet. The problem of internet based crime is also an arising problem beside the problem of money laundering. Other is Liberty reserve payment system as a currency exchange. Both of Bitcoin and Liberty Reserve are actually arising problems of money laundering. In 2013, there was an indictment for an online currency exchange. Liberty Reserve was accused with laundering of $ 6 billion. Santora et al. (2013) mentioned: "The operator of a global currency exchange ran a $6 billion money laundering operation online, a central hub for criminals trafficking in everything from stolen identities to child pornography". In 2014, there was a charge for the Vice Chairman of the Bitcoin Foundation by U.S. Prosecutors in conspiring to commit money laundering. The founder was helping to funnel cash to illict online drugs bazaar Silk Road (Emily, 2014). Money laundering itself is understood as an organized crime applied in complicated process of hiding illict money that criminal gains in predicate crime. This process of crime is difficult to solve and enforce. Bitcoin and Liberty reserve has just shown that money laundering can be done in the process of exchange of virtual currency, with or without being realized by people. This working paper will assess on how the characteristic of new payment system through virtual currencies arouse problem in money laundering, one of the biggest crime in the world, and seek the solution in order to stop money laundering.

2. Methodology

As a part of Scientific research, legal research should fit to the scientific requirement on research methodology in order to seek the true answer of a problem. Since law was understood in the perspectives of epistemology as "norm" and "nomos", law is also multi interpretative. There is no single concept about what is law. But the existence of law as it is in society will be important to be noticed. Wignjosubroto (2009) in further explains that:
Kelak dalam kajian-kajian sains, canon of difference akan lebih sering atau lebih banyak dijadikan dasar penelitian eksperimental (dalam sains alam dan hayat) atau kuasi-eksperimental (dalam sains sosial) untuk menguji atau menemukan ada tidaknya hubungan kausal antara dua variabel.
Studi-studi tentang hubungan antara sebab (kausa) dan akibat (efek) memang merupakan bagian yang betul-betul penting dan mengambil porsi yang diperkenalkan John Stuart Mill, Jr ini memang dimaksudkan untuk mengefektifkan silogisma induksi untuk kepentingan sains yang lebih praktis...
(Free translation: In the future of science study, canon of difference will be more considered as basis of experimental research (in natural science) or quasi-experimental (in social science) to examine or to find whether there is causal relationship between two variables or not.

The study of cause and effect relationship is the important part and took an important portion as introduced by John Stuart Mill, Jr is purposed to make inductive silogism to practical science effectively...) In this context, the legal research will use conceptual approach to find the answer. Even though using empirical research method, but the existences of legal research as normative research method should has its identity. Further P. Casws, as quoted by Ibrahim (2006), mention: "The difference between the various sciences, then, are not

essentially differences; there is a genuine logical and methodological unity underlying their apparent diversity". Thus a normative legal research remain able to continue with empirical research supplement without changing its identity of normative science into empirical science but should keep its genuine logical and methodological.

3. The Threat and Strength of Virtual Currencies as a Modality to Exist

Virtual currencies got technological support in its operation. It means that high technology will be supporting the activity of value exchanges. Bryan (2014) explained:
Technology forges ahead at a rapid pace, whether we like it or not. Criminals recognize the inevitability and use technological improvements to advance their craft, committing crimes from half a world way in real time. Meticolous criminals also use technological advancements to distance themselves from their illegal activities and profits through use of virtual banking and electronic money transfer systems, which allow criminals to buy, sell, and exchange goods without any physical interaction. Through such services use digital logs that serve to identify a sender and a receiver's digital identies, criminals possess the means to obfuscate their digital identity by simply spoofing their Internet Protocol address or by using another individual's account, essentially making their activities untraceable.

Bryan's explanation above shows that sophisticated technology is the perfect support for criminals to explore their criminal activity "safely" and "productively". It means the technological advancement will arise perfect crime in this globalization era. As it's understood, in globalization era technological advancement plays an important role. Thus every people will say that techology is their friend. Internet is living closely to them. Hence, Rothe & Friedrichs (2015) warns that there is a challenge to defining what is crime, as below:
For some criminologist, the term "crime" itself is inevitably so limiting and so constrained by its historical meaning that it should be abandoned in favor of "social harm" as the focus of our concern, with criminology itself being replaced by "zemiology" or the study of harm. The social harm initiative usefully calls for reconsideration of how we think about crime, but has some limitation as well if it abandons the concept of crime itself.

Smith et al. (2004) then explain about 4 (four) formidable challenges of crime in the context of cyber crime, as:

This transnational dimension of cyber crime poses four formidable challenges for prosecutors, especially those who may be involved from an early stage of investigations. The first is simply to determine whether the conduct in question is criminal in their own jurisdiction.... The second challenge is to assemble sufficient evidence to mobilise the law, that is, to obtain appropriate judicial authority for a physical search.... The third challenge is to identify the perpetrator, and to determine where he or she is physically located... Finally, there remains the decision of whether to leave the matter to authorities in the country where the suspect is physically situated...
Once again technology shows its strength to be a perfect friend to people in its development. But technology has also arise as a perfect enemy to people through the exploration of its advancement by criminals. Technology is also arising as a perfect enemy in the future.

Virtual currencies in its existence shows the need of high techological support to do every kind of activities. The FATF has mentioned also that:
While the NPPS Guidance broadly addressed internet-based payment system, it did not define "digital currency", "virtual currency" or "electronic money". Nor did it focus on virtual currencies, as distinct from internet-based payment systems that facilitate transactions denominated in real money (fiat or national currency) (e.g. Pay-pal, Alipay, or Google Checkout). It also did not addressed decentralised convertible virtual currencies, such as Bitcoin...
A common set of terms reflecting how virtual currencies operate is a crucial first step to enable government officials, law enforcement, and private sector entities to analyse the potential AML/CFT risks of virtual currencies as a new payment method...

Since the internet will be the best supporter, it should has strong regulation in technology operation. Bryans (2014) further has warned also that virtual currency has been accepted and get respected by society, even though it is different from the ordinary payment transfer using fiat currency. The FATF (2014) shows:
In a short period of time, virtual currencies, such as Bitcoin, have developed into a powerful payment method with ever growing global acceptance. Virtual currencies offer an innovative, cheap and flexible method of payment. At the same time, the unique and often unfamiliar business model of virtual currencies poses a challenge to regulators around the world who are unsure how to deal with this payment method. The policy responses vary considerably, with some countries embracing this new technology and others severely or totally limiting its legitimate use. The FATF conducted research into the characteristics of virtual currencies to make a preliminary assessment of the ML/TF risk associated with this payment method. An important step in assessing the risks and developing an appropriate response is to have a clear understanding of the various types of virtual currencies and how they are controlled and used.

Virtual currencies have been developed well globally through its innovation, flexibility, and cheap costs. APG (2014) in its yearly typologies report about methods and trends of money laundering and terrorism financing explain: "the legitimate use of virtual currencies offers many benefits such as increased payment efficiency and lower transaction costs. Virtual currencies facilitate international payments and have the potential to provide payment services to populations that do not have access or limited access to regular banking services". Hence, the benefit of virtual currencies will attracted society to keep this virtual currencies method as a new payment system as center of payment system nowadays. As a payment system, Virtual currencies will give benefit to people who want easiness in their transaction. Virtual currencies are also anonym. Since it is internet based, most of the transaction in internet are anonym because everyone can have their identity in internet. It is pseudonymous and mostly peer-to peer transaction between networking.

There are two types of virtual currencies as defined by the FATF (2014), as convertible virtual currency and non-convertible virtual currencies. The convertible virtual currencies is an open virtual currencies which has equivalent value in real currency. It can be changed back and forth for real currency, that needs the participatory of private people to offers and accepts the exchange offering. The convertible virtual currencies here is including Bitcoin, e-Gold, Liberty Reserve, Second Life Linden Dollars, and WebMoney. While non-convertible virtual currencies can be understood as a closed virtual currencies which is intended to be specific to a particular virtual domain or world. It can not be used as fiat currency exchange. The example here is including Q coins, Project of Entropia Dollars, or World of Warcraft Gold. This paper will be underlining the virtual currencies only in the context as open virtual currencies. Other is virtual currencies dividing into centralised virtual currencies and decentralised virtual currencies. The term of centralised means the system will have one single administrating authority, such as the participatory of third party to control the system, and also controlling the exchange rate, etc. while decentralised virtual currencies is uncentralised control and monitoring of administration. It is using cryptography to protect the system. In a diagram, virtual currencies can be classified in its taxonomy as described by the FATF (2014):

Figure 1: Taxonomy of Virtual Currencies

	Centralised	**Decentralised**
Convertible	Administrator, exchangers, users, third-party ledger, can be exchanged for fiat currency. Example WebMoney	Exchangers, users (no administrator); no Trusted Third-Party ledger, can be exchanged for fiat currency. Example Bitcoin
Non-convertible	Administrator, exchangers, users; third-party ledger, cannot be exchanged for fiat currency. Example: World of Warcraft Gold	Does not exist

The characteristic of Virtual Currencies as researched by the FATF that endanger AML/CFT regimes, are:

- The anonymity provided by the trade in virtual currencies on the internet
- The limited identification and verification of participants
- The lack of clarity regarding the responsibility for AML/CFT compliance, supervision and enforcement for these transactions that are segmented across several countries

- The lack of a central oversight body

According to the characteristic above it can be understood that the strength of virtual currencies for criminals has become risks for law enforcement officer and people who are indirectly involved in the money laundering processess. Since virtual currencies can be traded on the internet, it is emerging a characteristic of non face to face customer type. There is no relationship between the trader. The FATF (2014) also mentioned that they "may permit anonymous funding (cask funding or third party funding through exchangers that do not properly identify the funding source). They may also permit anonymous transfers, if sender and recipient are not adequately identified". Other vulnerability came from the accessibility of Virtual Reserve that easily accessed through internet including mobile phones accesses. It is easy to move out the funds or value cross border and make it as payments and transfers. the holder of transaction records can be held by different entities. So, it is arising difficulties to implement AML/CFT compliance which is depending to the jurisdiction.
Liberty Reserve as one of the open virtual currencies is a centralised virtual currency service. Wikipedia (2015) explains:

Based in San Jose Costa Rica, Liberty Reserve was a centralised digital currency service that allowed users to register and transfer money to other users with only a name, e-mail, address, and birth date. No efforts were made by the site to verify identities of its users, making it an attractive payment processor to scam artists. Deposits could be made through third parties using a credit card or bankwire, among other deposit options. Liberty Reserve did not directly process deposits or withdrawals. Deposits funds were tied to the value of the US Dollar and the euro respectively, or to ounces of gold. No limits were placed on transaction sizes. The service made money by charging a small fee, about 1%, on each transfer. Transactions were "100% irrevocable" . Liberty Reserves also offered shopping cart functionality and other merchant services.

According to the description given by wikipedia above show that the use of Liberty Reserves is very easy, cheap, and without control. There is no limitation of transaction also. Liberty Reserve in its jargon mentioned that it is "the oldest, safest and most payment processor which is serving millions all around the world". Since it does not has control in the person who use the service, Liberty Reserves does not have control to request the sources of money people transfer too, whether it is an illegal or a legal source. In 2006, there was an indictement for U.S Businessman named Arthur Budovsky and Vladimir Kats with charges of operating an illegal financial business. Liberty Reserve is identified also as a virtual currency payment system which does not has good of transperancy mechanism. Wikipedia (2015) is explaining also that "in 2011, Liberty Reserve was linked to (unrelated) attempts to sell thousands of stolen Australian bank account numbers and British bank cards. In 2012, a group of hackers attempts to blackmail anto-virus software company symantec into transferring $50,000 into Liberty Reserve account". In 2014, Liberty Reserve once again was charged with criminal trafficking, and stolen identities to child pornography. Liberty Reserves can be a medium to do money laundering. It is difficult to identify the identity of the sender and/or the receiver, and also the source of the funds that has been transferred by both parties. Even though Liberty Reserve is centralised system, but it is still lacking in security and undetected criminal and illicit fund's gained.

Bitcoin, as one of the biggest and wellknown new payment system method nowadays has been arising a new threat for law enforcement schemes. As defined from CoinDesk (2015), Bitcoin is "a form of digital currency, created and held electronically. No one controls it. Bitcoin aren't printed, like dollars or euros – they've produced by people, and increasingly business, running computers all around the world, using software...". as its characteristic as decentralized system, it might caused difficulties to regulate. There is no single organisation or institution which can controls the network of Bitcoin itself, even banks can not control it either. Other is that the holder of Bitcoin can buy things electronically. There are some charactersitic of Bitcoin that explained in CoinDesk (2015), such as: Decentralised, easy to set up, anonymous, completely transparent, cheap fees, fast transaction, non repudiable transaction. Bryans (2014) then describe Bitcoin as:
Bitcoin is a decentralized, virtually anonymous (commonly called pseudonymous), peer to peer (transactions occur directly between users) network. Bitcoin's decentralization and peer to peer infrastructure allows it to be virtually immune to the risks of server raids or the loss of a central database to hackers. Due to possibility of its use for nefarious activities such as money laundering, Bitcoin's pseudonymous network negatively impacted the image of emerging virtual currency systems, and some authorities view Bitcoin solely as a platform for criminals. Whatever the perceived or potential economic role may be for Bitcoin...

Bitcoin transactions begins when a buyer transmits a quantity of bitcoins from his or her personal digital wallet through a Bitcoin client to the coded Bitcoin address representing the seller's digital wallet. The Bitcoin network processess the transaction and adds the value and each node (called a miner). Miners then encode this "block" of recently broadcast transmissions onto the end of all the previous completed blocks. The explanation above has implicitly mention that law enforcement of money laundering will face difficulties to handle it due to the characteristic of technological support, and may hiding illicit gain through personal device as digital wallet. It is simply easy to be handed by the criminals to hide it. No control of financial institutions nor regulation. When Bitcoin being a case for money laundering, it was identified that the offender of Bitcoin was linked its activity through Silk Road, and then transferring funds to receiver's account at an unidentified bitcoin exchange service.

Organized Crime and The Vulnerability in Money Laundering's Stages: Money laundering as normally understood is a proceeds of crime. The money or assets that derived from criminal activity will be laundered through some activities by the criminals in order to get the "clean" money. Stessens (2000) explain the process of money laundering as: "Criminals who, through their criminal activities, dispose of huge amounts of money, need to give this money a legitimate appearances: they need to 'launder' it. The phenomenon of money laundering is essentiality aimed at two goals: preventing 'dirty money' from serving the crimes that generated it, and ensuring that the money can be used without any danger of confiscation." It mean that money laundering needs more aggressive activity in hiding illicit funds or assets that has been gained by criminals. Chaikin, as quoted by Garnasih (2003), explains:
A significant portion of money laundering for illegal purposes is carried out at the instigation of organized criminal group. Money laundering is the lifeblood of organized crime. It prevents the detection and punishment of those most responsible for directing and financing the criminal organization. Person at the top of organization is insulted from the physical acts of the crime, making them extremely difficult to investigate, let alone prosecute. Often the money organization and the crime itself. Here is Achilles' heel of the financiers of crime

Money laundering as a part of organized crime can cause another problem. It can create an organized financial crime and also being transnational crime. In this sense, Schneider (2012) mention: "The revenues of organized crime are scientifically extremely difficult to tackle. Organized crime is defined different and vary from country to country... To fight against organized crime is extremely difficult, as there are no efficient and powerful international organizations that can effectively fight against organized crime". As transnational crime, Boister (2012) warns that "At a broader economic level, transnational crime causes harm by compromising financial and commercial institutions, making economic management difficult..." Money laundering harms economical aspects either. The cooperation of technology advancement and criminal minded organization will endangering country.

In money laundering's steps, there are Placement; Layering; and Integration stage. Virtual currencies misuse can be done in each of stages of money laundering, from Placement, Layering until Integration. Bryans (2014) mentioned that "New virtual currencies, such as Bitcoin, add yet layer of anonymity by allowing users to transfer to transfer value without the collection of any personally identifiable information". In the placement steps, it is understood that so many transactions can take place into the Internet every hour. In the layering stage, criminals can transfer any value easily. The transaction is untraceable also. Inter alia with the explanation mentioned above, the characteristic of virtual currencies is anonymous. It is not face to face based transaction. The sender and the receiver can deal with their own agreement to transfer money, yet there is no regulation which can control their activity. Other vulnerable steps is in Integration step. It is not easy to distinct whether as a buyer in Bitcoin, they won't get a money laundering process coin or seller. It is difficult to recognise whether the Bitcoin is converting from any illegal activity or not, or it buy or sell by criminals offender. Through virtual currencies, there will be increased total amount of money that will be laundered. It will be easy also when criminals in join hands with other criminals to launder dirty money, and through transnational network, the transfer can be done in any jurisdiction without holding the physical money or coin as a physical assets. Richet (2013) has also warned that there is cybercriminal's methods which can assist laundering money through online. Further, Richet (2013) explain that in Liberty Reserve, illicit money that were acquired by fraud, carding, will be connected to an exchanger, and change the form of money, from dollar to LR currency, and put in the Liberty Reserve account. The result is that the money is

already laundered and integrated to prepaid cards, VCC, or using Western Union. Bitcoin is having a major problem also. It is that every transaction in bitcoin is public. Anyone can follow the moved coins between buyer and seller. Then it cause a difficulty to mention where is the coin came from after the proses of hiding, concealing, and integration happen. Virtual Currencies in its development, potentially explored by legitimate and/or criminal mind users to do transfer money fast, no high cost, no barriers to entry, and mostly anonymous.

Due Diligence, Registered Virtual Currency Possibility To Be Implemented: The FATF 2012 in its Recommendation has put Due Diligence responsibility to any institution in order to prevent money laundering. There are Customer Due Diligence (CDD) and Enhance Due Diligence (EDD). Recommendation 9 of Prevent Measure, states that "Financial Institutions should be prohibited from keeping anonymous accounts or accounts in obviously fictious names". The problem will arise regarding to the anonymous characteristic of virtual currencies. The buyer and the seller won't be physically in touch to deal with the money, etc. The CDD is the simple verificiation of customer's identity, which should be taken as a measurement in 4 (four) conditions, those are: Establishing business relations; Carrying out occasional transactions: (i) above the applicable designated threshold (UD/EUR 15,000); or (ii). That are wire transfers in the circumstances; there is a suspicious of money laundering or terrorist financing; or the financial institution has doubts the veracity or adequacy of previously obtained customer identification data.

Regarding with virtual currencies, the existence of CDD is not easy to solve. But as now as people know there is a legal problem related with virtual currencies, the founder, other third party, seller, and/or buyer should be profiling their identity. The regulation must be set out and all the record should be kept since virtual currencies is vulnerable to money laundering. It is a must to create system that may verify the customer's identity. The verification system can be using any cryptography methods, as well known in cyber. The principle of cyber of non-repudiation should be implemented. No one can deny that they are doing any transaction in internet. The CDD is not only for identifying and verifying customer's identity, but also understanding and obtaining information on the purpose and intended nature of the business relationship, and ensuring the customer's detail business and risk profile, and requirement of stating the funds of transfer. The FATF then request financial institution through Risk Based Approach, has been trying to identify the risks that may appear in regard with money laundering scheme. The EDD does deep verification process in the specific circumstances, like when transaction is done by Politically Exposed Persons, or other transaction. Even though in the context of virtual currencies is under special circumstances, but both CDD and EDD should be forced to be implemented.

Other responsibility that has been pushed by the FATF, is about the Record Keeping implementation. The record keeping here is related with the record of any individual transaction, account files of customer, stc. Jeffrey Sparshott in the Wall Street Journal (2013), headlining "Web Money Gets Laundering Rule". In its news, the contributor mention that the U.S is applying money laundering rules to "virtual currencies". There is new forms of cash bought in the Internet are being used to fund illicit activities. The regulation covers the obligation of institution that issued or exchanged online cash transaction above US$ 10,000 should reporting the transaction to the authority, and also fulfill the requirement to do book keeping. The regulation is also regulating that the institution that receive legal tender in exchange for online currencies or anyone conducting a transaction on someone's behalf, would be subject to new scrutiny. They should monitor the transaction.

There are 3 (three) regulation given by AML program. Each of them will meet with the requirements of: Implemeting strictly of customer identification, verification and implement automated transaction monitoring policies and procedures; They should be protection, processess, visibility and reporting to build and maintain partnership; and Save money and time. Hence Personal identification and verification should be implemented, and protected from identity theft. The U.S creates the rules needed to monitoring and analysing transactions in real time, or over specific periods of time, to detect money movements that could be associated with laundering activity. The regulation also force virtual currency exchanges to implement the same regulation as implemented for traditional financial institution. Since some of the virtual currency provider are decentralised and unregistered virtual currency exchanger, then each nation should make regulation that the exchanger should be centralised and registered. At least it will minimize the risk of money

laundering exploitation through virtual currency. The regulation should be having a sanction imposed mechanism also to be implemented to anyone (buyer, seller, third party, or the exchanger itself) who did not fulfill the requirement. It needs an International cooperation between countries through regulating the same methods and mechanism that will be implemented for virtual currencies exchanger.

4. Solution

Virtual currencies is vulnerable to money laundering problems. It is based on the characteristic that were found in the virtual currencies. Since it is an internet based payment, therefore the virtual currencies offer easiness to people to gain money. Its anonynimity of identity of both parties triggered an exploitation of money laundering. Then mechanism of CDD, EDD, record keeping, and other specific regulation designated to prevent money laundering should be implemented.

Recommendation: Virtual currency should be developed more wider but containing safety to the users. It is not about how to fulfill the needs of society regarding the newest issues, but more than that, the safety transaction should be protected. Law enforcement agents should strictly imposed any violation with strict and proper sanction.

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Government Spending Contributions on per Capita Income and its Effect toward the Human Development Index (Comparative Study between Western Indonesia and Central & East Indonesia)

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Abstract: In many countries, include Indonesia, a centralized government has a sizeable negative impact on inequality of development. During the New Regime Order era with a centralized system, Indonesia's development is concentrated in the western part of Indonesia which had led to inequality in terms of per capita income and human development. To solve these problems, one of the economic reforms undertaken by the Indonesia government is changes the system from a centralized to a decentralized system. Through the fiscal decentralization under Law No. 22/99 and 25/99, they hope to improve people's welfare and reduce inequality. This research is aim to assess the effect of government spending and investment on the growth of per capita income and see the effect of the growth of per capita income towards Human Development Index (HDI). The method used is multiple regression with panel data and the study from year 2007-2012 by dividing the two groups of regions ie: western Indonesia and central&eastern Indonesia. Based on the research results, for the western Indonesia, goods and services expenditure has a significant effect on the per capita income growth and per capita income growth significantly affect the human development index (HDI). For the central and eastern Indonesia, domestic and foreign direct investment (DDI and FDI), goods and services expenditure, and capital expenditures have a significant effect toward per capita income growth and per capita income growth effect significantly toward the HDI.

Keywords: Government Spending, FDI, DDI, Income/Capita Growth, HDI

1. Introduction

Education and health are basic objectives of development. Education is essential for a satisfying and rewarding life and the other hand, health is essential on well being. Health and education can also be seen as vital components of growth and development as inputs to aggregate production function (Todaro and Smith, 2011). One of the indicators used to measure the success rate of development of a society is the Human Development Index (HDI). HDI is an indicator that used to measure one of the important aspects related to the quality of the results of economic development that is the degree of human development. HDI is a composition index which based on three indicators, namely: health, educational attainment and standard of living (purchasing power). HDI are closely related to economic development. HDI levels are much higher in high Gross Domestic Product per Capita (GDP/Cap), see table 1. Based on World Bank, GDP per capita is gross domestic product divided by midyear population. GDP is the sum of gross value added by all resident producers in the economy plus any product taxes and minus any subsidies not included in the value of the products. It is calculated without making deductions for depreciation of fabricated assets or for depletion and degradation of natural resources.

Table 1: GDP per capita (current US$) and HDI of ASEAN and Developed Countries

Country	GDP/Cap			HDI	
	2010	2011	2012	2012	Category
Indonesia	2,272	2,947	3,471	0.681	Medium
Singapore	42,784	47,268	51,709	0.899	Very High
Malaysia	8,754	10,058	10,432	0.770	High
Thailand	4,083	5,192	5,480	0.720	High
Brunei Darussalam	30,880	40,244	41,127	0.852	Very High
Vietnam	1,334	1,543	1,755	0.635	Medium
USA	48,358	49,854	51,749	0.912	Very High
Japan	43,118	46,135	46,720	0.888	Very High
Switzerland	70,370	83,087	78,925	0.916	Very High

Source: World Bank (2014)

Based on table 1, Indonesia has a lower per capita income than other ASEAN Countries such as Malaysia, Brunei, Thailand and Singapore. This condition was followed with lower HDI where Indonesian HDI only at medium category as same as with Vietnam. Meanwhile the countries those have a high per capita income such as Singapore, USA, Japan, Switzerland and Brunei has a very high HDI category. The other ASEAN countries: Malaysia and Thailand has a high HDI category. That condition describes that per capita income has positive relationship with HDI. Some previous researchers have discussed the variables that affect the HDI, such as: Ramirez, et al. (1998); Costantini and Martini (2006); Costantini and Monni (2007); Muhammad, et al. (2010); Yasmeen et al. (2011); Hamzah et al. (2012). They discussed the link between economics growth with human development. Government of Indonesia has been trying to improve the welfare of the people that can increase the quality of life (HDI).

In order to improve its welfare and quality of life (HDI), Indonesia had run some policies. One of them is reformed the fiscal policy that started with the law No.22/1999 on Local Government which is complete by the Law No.25/1999 on Financial Balance between Central and Local Government. The both laws are updated with the law No.32/2004 on Local Government and law No.33/2004 on the Financial Balance between Central and Local Governments. The policy was done through the implementation of fiscal decentralization model in Indonesia and expected to improve Indonesian economic growth. A few studies have already been successful in verifying the potential contribution of fiscal decentralization to economic growth (see among others: Samimi et al. (2010), Pose and Ezcurra (2010), Carrion et al. (2008), Felterstein and Iwata (2005), Iimi (2005), Hamzah (2004), Lin and Liu (2000), Phillips and Woller (1997), Zhang and Zou (1998), and Oates (1995). One of the main objectives of fiscal decentralization is equality in distribution of percapita income. Centralistic system in the past (Soeharto's Rezim) made inequality of income distribution, where West Indonesia region has high average economic growth and HDI. Meanwhile East and Middle region only has average low economic growth and HDI (MP3EI, 2014). Table 2 shows the data of Regional GDP and HDI of West, East & Middle Province in period 2010 – 2012.

Table 2: HDI and Regional GDP (RGDP) Year 2010 – 2012

No	Province	RGDP (IDR 000)		HDI	
		2011	2012	2011	2012
1	A c e h	34,789,000	36,600,000	72.16	72.51
2	DKI Jakarta	422,237,000	449,821,000	77.97	78.33
3	Bangka Belitung	11,588,000	12,251,000	73.37	73.78
4	Riau	43,810,000	47,405,000	75.78	76.9
5	D I Y	22,132,000	23,309,000	76.32	76.75
6	East Java	366,983,000	393,666,000	72.18	72.83
7	West Sulawesi	5,233,000	5,704,000	70.11	71.31
8	M a l u k u	4,509,000	4,861,000	71.87	72.42
9	North Maluku	3,230,000	3,445,000	69.47	69.98
10	P a p u a	21,208,000	21,436,000	65.36	65.86

Source: Bureau of Statistical Center (2013)

Based on data, RGDP has positive relationship towards HDI. West Region for example, Jakarta, Eas Java and Riau have a high RGDP and high HDI, meanwhile Papua has low RGDP and low HDI. The low quality human resources in province level can be barrier for increasing equality income distribution. This condition is one of the impacts of centralistic system. This research aims to examine the effect of government expenditure (employee, good & services, capital), domestic direct investment (DDI), and foreign direct investment (FDI) on HDI with percapita income as the intervening variable.

2. Theoretical Background

Government Expenditure and Economic Growth: Mangkoesoebroto (2001) described that macro theory of government follow on Rostow and Musgrave, the law of Wagner, and Peacock and Wiseman rule. According to Rostow (1991), the transition from underdevelopment to development can be described in terms of series which connects the development of government expenditure with the stages of economic development that distinguished between the initial stage, intermediate stage and advanced stage. In the early stages of economic development, the percentage of the total government investment is a great investment. Because at

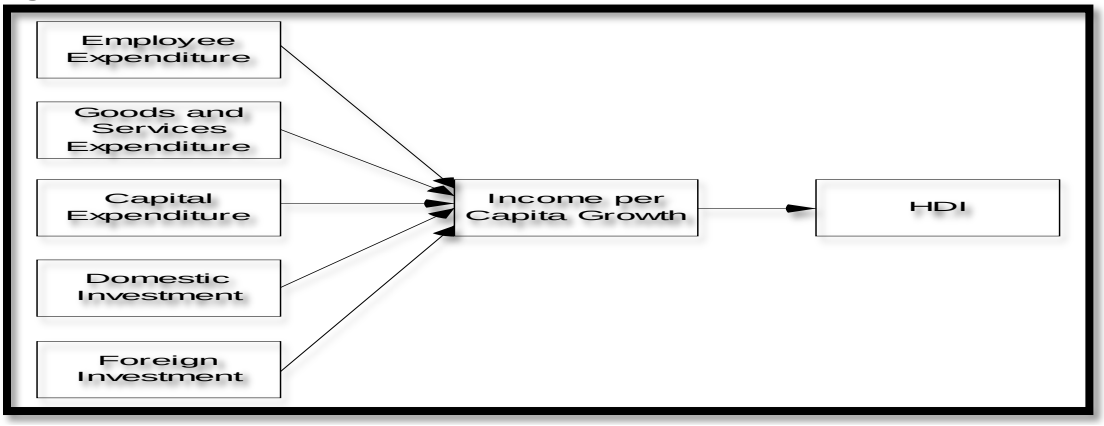
this stage the government should provide infrastructure, such as education, health, infrastructure, transport, and so on. In the middle stage of economic development, the government investment is needed to boost economic growth in order to take off. At this stage, the role of private investment is greater but the role of government remains large because of the greater role of the private sector which generated a lot of market failure to provide goods and services in the pubic greater numbers and better quality. Moreover, at this stage of economic development leads to the relationship between increasingly complex sectors. Meanwhile Wagner (in Sofilda et al., 2013) stated in an economy where per capita income increases, the relative government expenditure will increase. Wagner quantifies the government activity in the economy by comparing the government expenditure to national income. 5 (Five) factors that cause the increased of government expenditure are: (i) demands of increased protection security and defense; (ii) rising income levels (iii) urbanization that accompanies economic growth; (iv) the development of democracy, and; (v) bureaucracy that accompanies the inefficiency of government development. Based on his observation in development countries, Wagner stated that the government expenditure will increase in line with the increase of per capita income of the country. Peacock and Wiseman (in Sofilda et al., 2013) explained the behavior of government development based on the analysis of "dialectic acceptance- expenditure of government". The government tries to increase the expenditure by relying on tax revenue even though peoples do not like the high tax payments. Economic development will affect the increase of tax levy although the tax rate doesn't change and will increase the government expenditure.

In the Solow Growth Model (see Sofilda et al., 2013), the key variable to develop economic growth is labor productivity or output per worker, how many the average worker in the economy is able to produce. Solow calculates the output per worker by simply taking the economy's level of real GDP or output, and divides it by the economy's labor force. This quantity, output per worker, is best simple proxy for the standard of living and level of prosperity of the economy. In every economic model and the Solow growth model is no exception economists analyze the model by looking for equilibrium: a point of balance, a condition of rest, a state of the system toward which the model will converge over time. Economists look for equilibrium for a simple reason: either an economy is at equilibrium position, or it is moving and probably moving rapidly to an equilibrium position.

Human Development Index (HDI): HDI released by UNDP in 1991 which stated that the HDI is one approach to measure the success rates of human development. HDI is starting to be used by the UNDP since 1990 to measure the achievement of human development of a country. Although not able to measure all dimensions of development, however, able to measure basic dimensions of human development which is considered to reflect the status of basic skills of population. HDI consists of 3 (three) components that are considered essential for humans and operationally easily calculated to produce a measure that reflects the effort of human development. The components are: (i). the chance of survival (longevity); (ii). knowledge, and (iii). a decent living (living standards). Chances of survival is calculated based on life expectancy at birth, knowledge is measured by the average length of the school and the literacy rate of the population aged 15 years and above, and a decent life is measured by expenditure per capita based on purchasing power parity.

Research Framework

Figure 1: Research Framework



The growth of per capita income will be used as intervening variable in this research and the independent variables include: employee expenditure; goods and services expenditure; capital expenditure; domestic; and foreign investments. While HDI variable used as the dependent variable. The independent variables use in hope that if the government expenditure and investing increase, then per capita income growth will increase directly and will increase the HDI ultimately. The three variables used (employee expenditure, goods and services expenditure, and capital expenditure) are a reflection of consumption expenditure by the government in order to increase the per capita income of a region. Investment from domestic sources (DDI) and from abroad (FDI) is an important factor in supporting economic growth. Its expectations with increased investment in Indonesia, the growth of per capita income will increase and eventually HDI will also increase. In this research the investment proxies by two variables: the investment made by the investor in the country and abroad.

3. Methodology

This research uses quantitative methods to analyze the influence of independent variables to the HDI with per capita income as intervening variable in two regions (West, East & Middle Region). The data used are secondary data, collected from relevant source that is BPS, Ministry of Finance and other literatures. Data are taken from the years 2007-2012 and come from 33 provinces in Indonesia. To answer the hypothesis that proposed in this research, we uses multiple linear regression analysis using panel data, which will result in three regression in the form of common effect, the fixed effect and random effect. As we mentioned before, the independent variables in this research include: employee expenditure, goods and services expenditure, capital expenditure, and domestic and foreign investments. The dependent variable in this research is the HDI and the intervening variable in this research is the growth of per capita income. The growth of per capita income will proxies by using the GDP data at constant 2000 prices provincial level divided by the population, and then transformed into logarithmic form (unit per cent). Consumption proxies by three variables: personnel expenditure, goods and services expenditure, capital expenditure and then transformed into logarithmic form (unit per cent). Investment proxies for the total realization of domestic and foreign, which is transformed into a provincial level logarithmic form (unit per cent). The research model can be written as follows:

Model 1: $\text{Income/capita}_{it} = \alpha_0 + \beta_1\text{Empexpendit}_{it} + \beta_2\text{GoodExpendit}_{it} + \beta_3\text{CapExpendit}_{it} + \beta_4\text{DDI}_{it} + \beta_5\text{FDI}_{it} + e_{it}$

Model 2: $\text{HDI}_{it} = \alpha_0 + \beta_1\text{Income/capita}_{it} + e_{it}$

Whereas:

Empexpendit	: Employee Expenditure
GoodExpendit	: Good and Services Expenditure
CapExpendit	: Capital Expenditure
DDI	: Domestic Direct Investment
FDI	: Capital Direct Investment
HDI	: Human Development Index

4. Result and Analysis

Based on test results using multiple linear regression analysis of panel data by using eView's 7.0 software obtained these following results. This research divided the process based on the classification of the area time in Indonesia that is WESTIND and CENTEASTIND. The province belongs to WESTIND are the provinces that located on the Island of Sumatra, Java, Madura, West Kalimantan and Central Kalimantan, while the province which belongs to CENTEASTIND are Bali, NTB, NTT, South Kalimantan, East Kalimantan, Sulawesi, Maluku and Papua. Based on the combined test results(Indonesia), by using Fixed Effect method, all variables except capital expenditures and personnel expenditures have a positive influence directly and significant statistically at 99% confidence level on the growth of per capita income in 33 provinces in Indonesia. In the WESTIND test results, that is only goods and services expenditure that can increase the growth of per capita income at 99 percent confidence level, while the other variables are insignificant. In the test results in the CENTEASTIND region, the variable of FDI, DDI, goods and capital expenditure can increase the growth of income per capita,

while the employee expenditure does not have the influence on the growth of per capita income in the region of central and eastern Indonesia.

Table 3: Equation I Testing Results

MODEL 1 VARIABLE	INDONESIA B	WestInd B	CentEastInd B
C	9.857154***	9.701764***	11.14738***
LOGDDI	0.002615***	-0.000766	0.004640***
LOGFDI	0.004937***	0.002596	0.005553**
LOGGoodExpendit	0.212065***	0.207585***	0.195865***
LOGCapExpendit	0.001994	0.019180	-0.081550**
LOGEmpexpendit	0.001253	0.003460	0.047734
Adjusted R-squared	1392.411	0.987561	0.981968
F-statistic	5339.348	387.1387	256.0878
Prob	0.000000	0.000000	0.000000
Testing Model			
Chow Test (Prob)	0.000000	0.000000	0.000000

Source: Data Processed (Eviews 7.0)
Note: significance *** level of alpha 1%; ** alpha 5% and * alpha 10%

When the employee expenditure does not have the influence on the growth of per capita income in the CENTEASTIND, we can say that there is as the effect of the failure of centralization of the economy model. So, the decentralization policy is expected to bring a better change. By the decentralization, most of the responsibility for the provision of public services, including infrastructure, depends on local governments. But right now, the largest expenditure item for most local governments in Indonesia is salary (leaving little room for investment in infrastructure). That is why the decentralization fiscal policy is also still unsuccessful. Policy options are to improve service access for people by declining poverty as income, improved quality and access to basic services will bring significant impact on living standards. It requires the handling of a number of challenges in the delivery of local services (supply side), one of them, with a re-allocation of more resources to the cluster service delivery centers and regional bureaucracy. At the same time, we realize that the decentralization also contribute to improved access to information, civil society and the media, and increased involvement in the local political process, which offers the opportunity to increase accountability for service delivery and the results of the query.

On the other hand, findings at WESTIND area that is only goods and services expenditure effect significantly toward the growth of per capita income, while the other variables are insignificant, shows that at the period of centralistic era, WESTIND area already savor or enjoy the cake of development program that create by central government. Besides that, these areas also have a tremendous natural resources and almost 80% economic activities occur or take place at this area. These resources already improved the quality of expenditure that measured by output and the desired outcomes continuously. So, today, increased expenditure by local governments at WESTIND have only a weak relationship (or not at all) to increase the results of its realization. Hence the local just need to convert the quality of expenditure requires, such as: increased allocation efficiencies in the allocation of expenditure that related among sectors and across programs and fields. For example, a significant increase in education spending in the last decade largely used for teacher salaries due to the increase in revenues teachers (Indonesia now has one of the lowest student teacher ratio in the world) and certification (certificate earned salaries of teachers with the number doubling) . However, there is evidence that the number and teacher's certificate are not associated with the realization of a better educational outcome, as measured by student achievement. Indonesian student's achievement for reading, math, and science remained low when compared to other countries and have not increased in this period. In the road sector, the shopping street area has increased, but the construction of new roads have priority over road maintenance so that the district roads are in poor condition or damaged up to 40 percent. However, evidence shows that investment in rural infrastructure maintenance carries a higher rate of return than the infrastructure improvements that are likely to become the focus of local government. Re-allocation of the budget so that the local government is more inclined to maintenance than infrastructure improvements that tend to be the focus of the local government.

Furthermore, based on the results of testing both combined models variable 33 provinces and separation based on time region, showed statistically significant results at the 99 percent confidence level unless there are models pm-CET positively influence the growth of income per capita of the IPM in Indonesia during the period 2007-2012. As mentioned earlier, that the public expenditure on education, health and infrastructure can increase the per capita income. So that people have preferences that tend to consume better and quality. Public spending in education and health can improve the quality of human resources through the consumption of good nutrition, education participation and ease of access to health so that every individual has the physical endurance, ability, knowledge, and skills as the basis of human capital (human capital) in economic activity either as employment or self-employment. Meanwhile, public spending in infrastructure opens up wider trade access through the construction of infrastructure that can accommodate all interests of integrated economic activity. Hence will increasing the HDI. Economic impact arising from the increase in income per capita is increasing purchasing power and the high level of consumption that would increase aggregate demand for commodities that will encourage investment that ultimately can create economic growth.

Table 4: Equation II Testing Results

MODEL 2 VARIABLE	INDONESIA B	WestInd B	CentEastInd B
C	-52.51593***	-67.75289***	-41.55344
I/Cap Growth	7.865830***	8.806676***	7.176591***
R-squared	0.892356	0.955318	0.812619
F-statistic	41.19807	105.7143	21.39451
Prob	0.000000	0.000000	0.081627
Testing Model			
Chow Test (Prob)	0.000000	0.000000	0.000000
Hausman Test (Prob)	0.000000	0.000000	0.009200

Source: Data Processed (Eviews 7.0)
Note: significance *** level of alpha 1%; ** alpha 5% and * alpha 10%

The results of the second equation aim to see the effect of per capita income growth to the HDI. Based on the test results of both combined models of 33 provinces, the results show that there is a significant effect at the 99% confidence level for the growth of income per capita towards HDI in Indonesia during the period 2007-2012. Hence, if we refer to the combined model of 33 provinces and also for WESTIND and CENTEASTIND, there are the direct effects of capital expenditure, personnel expenditure, goods and services expenditures, DDI, and FDI variables toward HDI through economic growth variable.

5. Conclusion and Recommendations

Based on the results of combined test we can conclude that by using the Fixed Effect, all variables except capital expenditures and personnel expenditures have a positive influence directly and significant statistically at 99% confidence level on the growth of per capita income in 33 provinces in Indonesia. In the WESTIND test results, that is only goods and services expenditure that can increase the growth of per capita income at 99 percent confidence level, while the other variables are insignificant. In the test results in the CENTEASTIND region, the variable of FDI, DDI, goods and capital expenditure can increase the growth of income per capita, while the employee expenditure does not have the influence on the growth of per capita income in the region of central and eastern Indonesia. The results of the second equation for combined models of 33 provinces and for WESTIND and CENTEASTIND, show that there is a significant effect at the 99% confidence level for the growth of income per capita towards HDI during the period 2007-2012. Hence, there are the direct effects of capital expenditure, personnel expenditure, goods and services expenditures, DDI, and FDI variables toward HDI through economic growth variable.

Recommendations: There is a surprising result in equation or model 2. At combined models of 33 provinces and WESTIND, we find that there is a significant negative effect for constant value but not significant and negative effect at CENTEASTIND. These results suggest that the government should focus on efforts that have

a direct impact on improving the human development index when making policy and development planning in addressing the problems of poverty in the whole Indonesia especial at west area.

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Value Co-Creation in Branding Social Marketing Services: An Exploratory Study

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Abstract: The study intends to determine how informally social pioneering initiative in terms of value co-creation gets transformed into vibrant social brands having credibility and sustainable dimensions. This phenomenon is critical to study in order to advance the body of knowledge of social marketing, particularly in context to branding social causes. The rationale for continuing with conventional approaches reinforces model ways of thinking in social marketing. This is one of the reasons that several efforts were made to promote development programs like Millennium Development Goals, Non-smoking, and environmental conservation have barely come to fruition. Lack of success or failure could only be attributed due to lack of conceptual advancement and developing innovative techniques to transform the creative ideas of social marketing into practices. This research transcends the traditional approaches taking group rather than individual as a unit of analysis. An exploratory study has been conducted to find out what are the major determinants, ideas and thoughts that transform social pioneering initiatives in to a credible brand. The study confirms that value co-creation is a function of transcendental values that people experience while interacting and consuming social marketing services.

Keywords: *Social Marketing, Co-creation, Value, Branding, behavior*

1. Introduction

One of the major concerns of Social Marketing Services is to address social issues with the premise of behavior change and formation while applying the tools and techniques of marketing. With this perspective, the growth in the field of social marketing reflects an uneven tendency because the field has hardly seen a substantial outcome in terms of effectively harnessing behavior towards social agendas. But with the sound policy framework and strategies, the desired outcomes of social marketing may be produced (Haynes et al., 2012). Though principal scholars in the field of marketing such as Kotler and Zaltman (1971) have been putting constructive inputs in favor of social aspects; many other scholars had been refuting the stance of the said scholars stating marketing as a solitary tool which deals consumerism and customer satisfaction. Polonsky et al. (1999) have postulated that the field of marketing should entertain other stakeholders in addition to consumers to hold the vitality of the field. As model and discipline, the consideration of social aspects in marketing has been an emerging field of enquiry since the evolution of marketing has started (Wilkie & Moore, 1999). Now the literature has reached to a level where it has sharpen the vision that tend to ask some important questions that need to be addressed so that the field must earn its practical importance in the eyes of policy makers, practitioners, as well as academicians (Lefebvre, 2011). Since then from this thought provoking work by the lead scholars, it has been observed that Social Marketing has significantly expanded in its scope and dimensions to enhance quality of people, programs, healthcare, and community development (Andreasen, 2005). There are some challenging aspects of social marketing:

A. One of the major issues which is crucial for sustenance and maintenance of social cause is generating desired amount of donations to meet the cause (Zainuddin, 2011). It has, however, a critical factor but has always been addressed, by and large, through commercial approaches using marketing principles (Kotler & Lee, 2008), rather making donors and community or beneficiary as an active participant in the exchange process of social marketing who serves as value co-creator (Lefebvre, 2012).This in turn, creates the desired level of confidence and trust prerequisite to sustain the social marketing program. This could only be handled if a requisite supportive system is engendered, which is prerequisite to create value of the program in the eyes of the concern stakeholders and reinforce their confidence, to enhance their commitment in terms of financial support. In other words, if beneficiaries are real terms yield of the program that improve their quality of life would certainly be the major force to create become value (Austin, 2010).

Co-creation acts as an advocate for the mechanism of social marketing which is truly enduring to the viability of social marketing services. This kind of thought will also strongly associate with the beneficiary and communities to create an image which will be transformed into a social marketing brand. This way of translating others' actions into rhetoric (Middleton & Edwards, 1989) is rooted in social constructionist point of view. This way brand is socially constructed and this process of construction and identification is very much rooted into the interactive experiences of consumers and community as a reputable brand. If we draw some experiences of many social services in Pakistan as well as internationally, it is quite evident that a very few social services have earned real success in terms of achieving status of trustworthy brands; though they never started a program with a perspective of developing a brand. It is, however, the social ethos to serve sincerely and selflessly to a disadvantaged and impoverished segment of the society. Albeit, some of these organizations turned out to be billion dollar operations that they cater from sustainable growth of their donations from the public to reinforce their welfare activities. Moreover, with sense of mission, relentless and selfless efforts have transformed some notable organizations like Edhi Trust and Shaukat Khanum cancer Hospital have evolved as international social brands of high standing. On contrary to the statement made by Keller (1998) in his article, these social services in Pakistan turned into brands by their credible actions, which are delivered practically in public rather than developing themes and slogan prior to the commencement of service.

B. To transcend the approach, a traditional methodology of brand management system will have to be modified, to promote social marketing programs or services. It is quite evident from the current researches that there is a clear shift of power from managerial approaches to social marketing to implement the programs towards participatory and interactive experiences of consumers and society. Moreover, many social service organizations fail to meet their social goals like millennium development goals MDGs (GPA, 2010a). One of the reasons is lack of government commitment and requisite substantial financial support from the government.

C. This research has intended to find out what were the major determinants of ideas and thoughts that transform into branding social services in the social circle.

Multiple social marketing services in advanced countries are rendering services in different areas of the society specifically targeting pro social behaviors. Masses are aware of the beneficial acquisition of the services but even in those advanced countries of the world, governments and policy makers have not fully explored the scope of services in domain of social marketing. As a result, a partial segment of the society is not aware of their social benefits or does not bother to use that social marketing service (Haynes et al., 2012). Considering the objectives of the present study, there remains a significant room to establish what the field of social marketing can comprehensively offer through embedding co creation and branding concepts. Because branding echoes a collective, value co-creation activity of firm and its stakeholders (Vargo et al., 2009).

Since value creation is not an independent process which takes place during its course of development rather it employs an iterative approach (Gronroos & Voima, 2013) which further gives rise to value co creation. Exploring this concept will advance the realm of social marketing services by exploring new aspects which are crucial for social marketing. Thus the primary objective of this study is to determine the ideas and thoughts that transform social marketing services into credible brand.

2. Literature Review

Social Marketing Services: The literature has served as an eye opener for researchers that tend to ask some important questions (Dibb & Carrigan, 2013), which are mainly about the effectiveness of application of social marketing programs. Social Marketing Services around the world are known and recognized of their utmost benefits for contributing in the welfare of society. The agenda of these Social Marketing Services is not restrained to the conventional marketing paradigm rather they primarily aim to form a robust attitude and behavior change where the cause under consideration can become a social good. It has however, been reported in several researches that social marketing campaigns have been partially taking commercial marketing approaches and eventually the campaigns are no longer regarded as social in nature (Agha & Armand, 2006). However, society's wellbeing in the form of adopting every rational step deemed beneficial for it is adhered to the practices and principles of social marketing (Haynes et al., 2012). Though addressing

those social issues would imply somewhat different approaches from commercial marketing but since all social causes at which social marketing services are aimed have connection with individuals and groups, therefore it is pertinent to mention here that in order to highlight the social issues caused by the individual or human behavior i.e. aligned with the principles of marketing but the application is different as to polish that human behavior ready to embrace a social good(Hastings & Saren, 2003). Here Social Marketing Services' role remains imperative.

Orientation of Value Co-creation: Multifarious Social Marketing Services through their actions do not ensure a thorough behavior change. The main attention of these kinds of services is attached with the services of donors who play a critical role in uplifting the services' image and performance (Mackay, 2002). The contribution by sponsors and donors is an important facet in marketing giving brand identity to any social marketing program (Olsen & Hill, 2006). Here the current research has tried to explore the idea of value co-creation which reflects in collaboration and interaction of all possible stakeholders who are acquiring social services. Social Network Theory also advocates the phenomenon of interaction among the stakeholders thus creating the impact of value co-creation on the outcome of social marketing services. Value co-creation is a seminal concept that is being researched in the realm of contemporary marketing (Grönroos, 2010). It endeavors to include the role of all the stakeholders of Social Marketing Services who participate and experience such services (Prahalad & Ramaswamy, 2004). The research tends to establish through qualitative research that what are the ways that requisite stakeholders adopt while using Social Marketing Services in experiencing and reciprocating value (Terblanche, 2014).

Branding Social Marketing Services: Employing traditional strategies of marketing could reap stronger results that maybe witnessed in branding any Social Marketing Service and behaviors these services seek to change (Neiger & Thakeray, 2001). This aspect has been construed as instrumental in inducing brand. The notion of branding in social marketing is of paramount importance since the purpose of branding is to communicate to the target audience the distinct images of a service making the service successful in terms of its diffusion and adoption. The cases of Edhi Trust, Shaukat Khanum, Akhuwat Foundation, and Green star campaigns can be well documented in Pakistan that how these social services eventually transformed into social brands leaving universal impact of serving the humanity in the backdrop of social marketing. Social Marketing Services need recognition and known to be a part of social processes because communities and other stakeholders are always involved in such proposition which create a brand like image of such services and place confidence in using brands either they relate to service or a product. This phenomenon further implies that value co creation is a collaborative process involving firms, stakeholders and the services rendered as social brand (Ballantyne & Aitken, 2007). However, the concept of branding in Social Marketing Services has been scarcely used despite knowing the attributes that branding provides to social marketing program. A few Social Marketing Services in Pakistan such as Edhi Trust and Shaukat Khanum elucidate their transformation towards social brand as a result of interaction and participation activities.

3. Methodology

The study has been conducted in conjunction with branding of leading social services and the philosophies and procedures of the leading Social Marketing Services such as Shaukat Khanum, Edhi Foundation and Akhuwat Foundation. The proposed methodology has been employed as grounded theory approach (Glaser, 1998) which intends to incorporate the leading social marketing services as brands and through their shared values and actions interpreting the notion. The study reflects the espoused social services coupled with co creation activities. The identified factors analyzed the contents through focus group, checked through the literature of social marketing, to advance conceptual knowledge of branding in social marketing services. It will turn into a grounded theory. Further it needs empirical testing. The study has been conducted in twin cities of Islamabad and Rawalpindi where the subjects who should be referred to as focus groups were included and their opinions and beliefs of the said services have been drawn to formulate a theoretical framework for branding social marketing services. All four focus groups were selected meticulously considering their ages, education, perception and knowledge about the social services they have been experiencing. These focus groups comprised of 60 people from different age brackets and from various professions like law, medicine, business, and higher education. The study took approximately six months to design and execute. Primarily an interview schedule was employed and the responses of the participants

were noted in detail. Each session with the respondents' amounted to about one and a half hour where all the individuals were supposed to give their valuable views on multiple social services operating in the country. Upon completion of discussion with focus groups, all the conversation was thoroughly analyzed and commonalities were chosen as dimensions to include in the framework of branding Social Marketing Services.

Table 1: Demographic Characteristics of the Participants

Demographic Variable	Category	Frequency	Percentage
Age	23 – 30	25	42
	30 – 40	20	33
	40 – 50	15	25
Gender			
Male	40	67	
Female	20	33	
Education			
Undergraduate	20	33	
Graduate	40	67	
Profession			
Service People	20	33	
Lawyers	03	05	
Doctors	02	03	
Businessmen	03	05	
Students	32	53	

Table 2: Item list related to focus group discussion

In your opinion, what is brand?
Why do you buy a brand?
How can you value a service as brand?
Do you know social service which markets itself as welfare oriented?
Have you found any social marketing service Action oriented?
Do services play a role in forming positive behavior so as to discourage socially unethical practices?
What is a good social service?
Why will you believe the credibility of a social service?
Why social service becomes important?
How can you form an organization like Edhi?
How can a social service become prominent?
How can social services become humane?

4. Results

Primarily twelve items were included in the interview schedule to elicit an opinion about social services and whether the respondents view them as brands. Forty male respondents and twenty female respondents participated in the session. Other demographics related to the participants are listed in table 1. From the given items, first order theme and second order theme have been drawn which are shown in the figure.

In your opinion, what is brand? To this question, the focus group responded mentioning the purity of products and services as a factor that compelled them to buy a brand. Also personal preference was identified by the participants as a dimension for brand purchase. Trust was also identified as being the amount of confidence people place in using a service or product. All four focus groups had much in common while responding to this particular question.

Why do you buy a brand? In responding to this question, belief, patronage, utility and satisfaction were commonly thought of as determinants of buying a brand.

How can you value a service as brand? This question drew humanitarian goals, preservation of beneficiary's ego, fame and honesty of the service as ideas behind perceived value. All the participants of different focus groups had commonly answered these attributes of a valued service.

Do you know a social service which markets itself as welfare oriented? The respondents opined that a social service which markets itself as a welfare oriented organization strictly follows check and balance in its entire system and ensures there is no discrepancy in its system. Similarly, that kind of service always keeps itself open for scrutiny and has its system transparent. The organization never keeps its beneficiaries unaware of the activities it performs.

Have you found any social marketing service action-oriented? The participants responded linking positive social action to law abidance. In their opinion, most of the services in the country which are action-oriented always abide by laws; they also have support from the media and are known for their social acceptance. Therefore, law abidance, support from media, and social identity are the determinants of an action-oriented social service.

Do services play a role in forming positive behavior so as to discourage socially unethical practices? First of all, a service should be religiously aware of its rights and obligations. According to respondents, if a service has religiosity as part of its mission; it cannot have chances of misleading people. Then household culture and customs play a pivotal role in determining behavior. Therefore, services should target individuals and their customs with a view to educating them to bring about positive behavior. Since humans learn by observation and imitate (Bandura, 1962) their surroundings, positive behavior would be replicated and emulated.

What is a good social service? 'Good' was identified as corruption free. Respondents had views that a corruption free service is one which can be trusted with blind faith. Being corruption free is the most important determinant which makes a social service 'good' in the eyes of people. In addition, availability of services as and when required by people is what makes a service reliable and trustworthy. Availability here refers to immediate help rendered by the service to the recipient. Also participants said that the simpler the service, the more trusted it is.

Why will you believe the credibility of a social service? The participants thought that all veteran and old services were credible. In addition to this a credible social service is always hard working and activities are measured purely on humanitarian grounds.

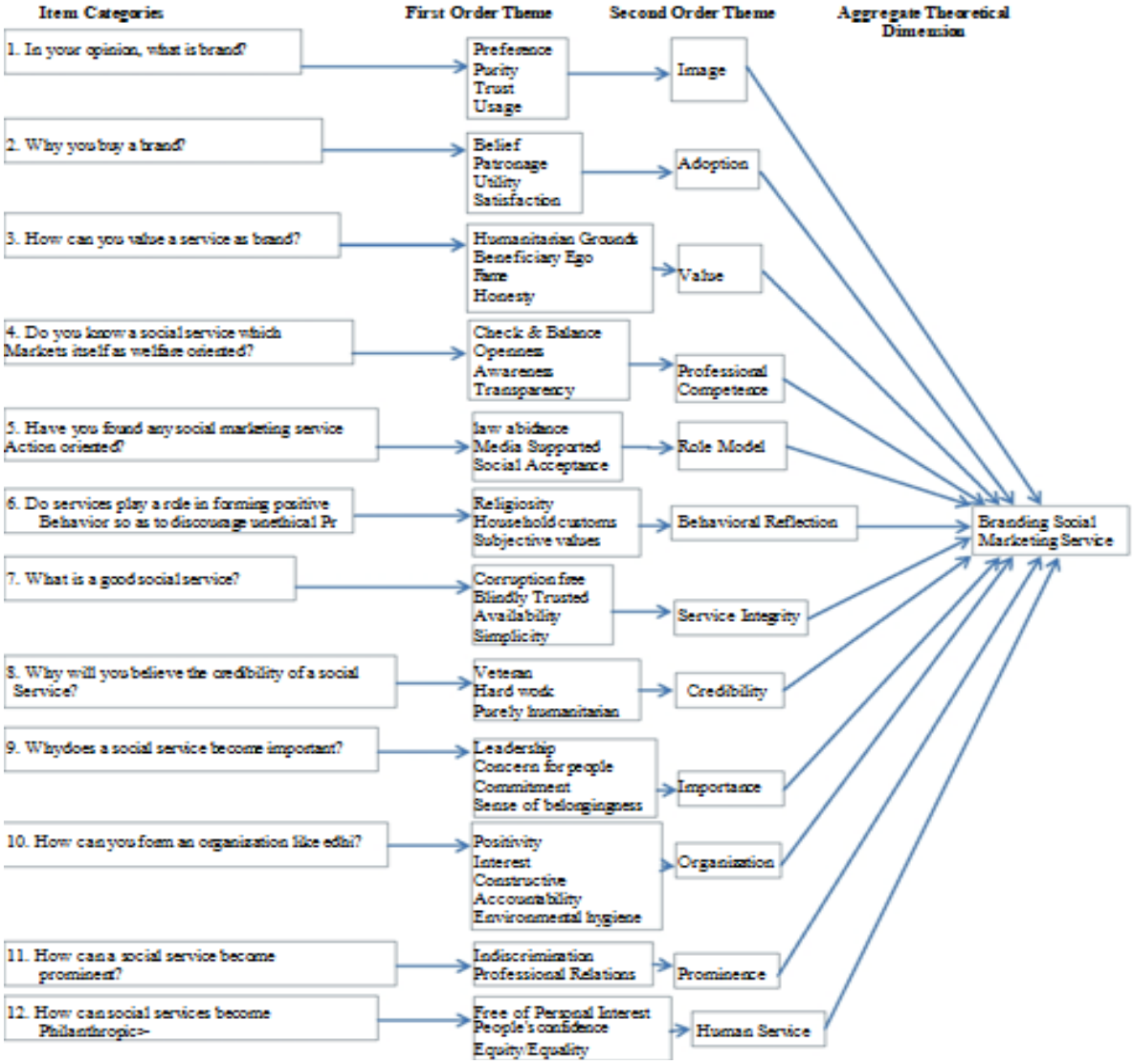
Why does a social service become important? The key factor was identified as presence of leadership quality in its management. Secondary factors were the service's concern for people, devotion in its job and sense of belongingness to society.

How can you form an organization like Edhi? To form such an organization, positivity was the most important consideration, followed by philanthropic interest, constructive approach, accountability, and environmental hygiene.

How can a social service become prominent? The respondents collectively added that indiscrimination in addressing people's needs and professional relations are important determinants of a prominent service.

How can a social service become more philanthropic? Participants from all focus groups generally thought that a service free from personal interests would be more philanthropic. If a social service works on selfless basis it would certainly gain people's confidence. It should also deal people on the basis of a collectivist approach.

Figure 1: Theoretical Propositions



5. Discussion

According to the definition of AMA (2007), value is embedded in most constituents of commercial marketing thus integrating the former with social marketing. As co-creator of value, sponsors of social services contribute implicitly in branding but it is hard to determine how this aspect of value is perceived by others. It has been asserted in this paper that social services operating locally are perceived as social brands due to the actions these services perform; since these kind of services are fewer in number and this conception by the people is contrary to Keller's statement in his article of 1998 where he termed valuing immediate benefits of desirable behavior a challenge for branding in social marketing services. Apparently, where quality and result oriented services are scarce in number, they make an impact and value in the minds of people. This helps such services in achieving a brand status. In societies where action oriented social services are numerous and where effective government welfare programs exist side by side, a social service will have to be outstanding in some aspect in order to become a brand. In such an environment, a social service would have to lean upon media services to propagate its strengths in the eyes of public.

When assessing the value of Social Marketing Services, the role of multifarious actors like individuals and the resources involved are inevitable to be studied as no single actor can be the initiator or determinant of value

but it is co-constructed (Prahalad & Ramaswamy, 2004). Thus considering the norms of value co-creation in branding Social Marketing Services would be a tipping point. The data from the survey and interviews has been analyzed in a number of steps. The qualitative data has been furnished and reviewed which further identified issues related to Social Marketing Services. This research draws attention of policy makers and Social Marketing Services towards issues being faced by them with the help those who are beneficiaries and active members of community.

Limitations: Although quite an interesting outcome about branding social services has come forth. This study has taken into account focus groups having healthy amount of knowledge about the services. Whereas people working on behalf of social services should also have been included so as to draw another opinion about branding social services. Also people from only two cities cannot present the ideas which prove to be fruitful for effective Social Marketing Services.

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Social Discrimination as a Predictor of Criminal Recidivism: A Study of Ex-Prisoners in Metropolitan Kano-Nigeria

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Abstract: Social discrimination is one of the major challenges faced by the ex-prisoners when returning to their society which could have an adverse effect on criminal recidivism. The objective of this study is to examine the effects of social discrimination on criminal recidivism among ex-prisoners in metropolitan Kano using two dimensions (racial and criminal record discrimination). Data was collected using survey questionnaire and it was analysed using Partial Least Squares model (PLS). The finding of the study shows that both racial discrimination and criminal record discrimination of ex-prisoners are having significant effects towards criminal recidivism and they accounted for 42.5% R^2. Moreover, criminal record discrimination was found to have larger effect than racial discrimination. It is concluded that, social discrimination of ex-prisoners is a predictor of criminal recidivism and criminal record type of discrimination is having more effect toward recidivism.

Keywords: *Discrimination, ex-prisoner, recidivism, crime, predictors*

1. Introduction

Ex- prisoner faces many constrains and challenges upon their return to their societies from the prison. Securing good and enough accommodations, family interrelationship, control in substance and drug abuse as well as mental health issues are some of the key and crucial issues that play a leading role in the successful re-entry and reintegration of the former inmates. However, the greater part of the challenges faced by the ex-prisoners is the intentional social discrimination shown to them from different angles of the society. For instance, discrimination in terms of employment opportunities, accommodation, and education among others. These factors have negative effects towards successful re-entry after their imprisonment (Holzer, Raphael & Stoll, 2002a; Waldfogel, 1994). This is largely because those who are discriminated for instance in terms of employment are significantly and more likely to return to their criminal activities than those who are employed (Burton, Cullen & Travis, 1987; Clear, 2007; Freeman, 1994). Social discrimination of former inmates negates the chances of integrating people into their societies; it disorganizes their lives, and reduces their social capital. The issue of social discrimination among the ex-prisoners which is critical aspect of the returning prisoners, and it is considered as another collateral effect of imprisonment couple with the effects of stigma which further compounded and aggravated the issue of discrimination in terms of educational, accommodation and securing employment (Albright & Denq, 1996; Giguere & Dundes, 2002; Hirschfield & Piquero, 2010; Pager, 2007; Uggen, 2000; Uggen, Vuolo, Lageson, Ruhland & Whitham, 2014).

Moreover, the stigma and discrimination that is connected with previous criminal record is usually invoked as one of the major pathway that link imprisonment as completely negative, which also affects the level of enduring mental health among the ex-prisoners. As such researchers on ex-offenders highlight their experiences with stigma and discrimination (Braman, 2004; Clemmer, 1940; Goffman, 1961; Haney, 2003; Sykes, 1958/2007). Imprisonment is considered as a life event and a defining moment especially for the ex-prisoners which results into continues stigmatization of the ex-prisoners thereby creating long time discrimination and the denial of many opportunities to the ex-prisoners after their release. It is highlighted however, that, even years after release, discrimination base on prison status still holds in multiple social settings (Braman, 2004) and the stigma always determines the discrimination that former inmates experience in the labour market(Pager, 2003), voting rights (Uggen & Manza, 2002), and family life (Massoglia, Remster & King, 2011). The magnitude of such discrimination plays a crucial role in determining the level to which the ex-prisoners conform or continued with their previous criminal behaviour (recidivism). The purpose of this study is to determine the role of social discrimination of ex-prisoners as a predictor of criminal recidivism among ex-prisoners in Kano-Nigeria using two dimensions of discrimination (racial and criminal records).

2. Literature Review

Social Discrimination of Ex-prisoners: Prisoners when returning to their various societies do not experience equality in terms of reception and treatment which creates numerous dilemmas towards re-entry. Majority of the returning inmates encounter difficulties especially due to the discrimination in many areas that they need to have adjustment: employment opportunities, access to government services and benefits, stable accommodation, treatment programs, family support, access to health care, for successful re-entry (Naser & LaVigne, 2006, Travis & Petersilia, 2001). According to Beck & Shipley (1989) the loss of human capital creates additional challenges for re-entering prisoners into their communities. That is, the depreciation of human capital as a result of imprisonment diminishes the possible prospects for success in many areas, which is further compounded by social discrimination especially when ex-offenders are trying to find employment and where the employment is found, it is usually an unskilled one with a disparity in pay as against those with no criminal records (Kling, 2006).This is why Western, Kling, and Weiman (2001) concluded that the experience of discrimination in securing an employment do reduces the chances of economic success of the ex-prisoner.

Moreover, it can be argued that, ex-prisoners are discriminated and are having lower earning capacities and rates of employment when compared to other groups (Freeman, 1992; Grogger, 1995; Lyons & Pettit, 2011; Western, Kling, & Weiman, 2001). Also it has been reported that people do discriminate against and would not hire people with criminal backgrounds (Harding, 2003). In a study of formerly incarcerated persons' perception of stigma and possible discrimination, majority of the respondents revealed that, they usually avoid disclosing their criminal histories when it comes to job applications so as to avoid rejection based on their ex-inmate status (LeBel, 2012). Though the strategy proved to be effective but only in a situation where the job is on short term basis or when it does not require much background checks (Harding, 2003). However, the full scale discrimination comes up when the job require mandatory background checks, hence it would certainly become out of their reach, because ex-prisoners are usually unable to conceal their prison status.

On the other hand, the issue of family support system also has been considered to be important factor for successful re-entry of the ex-prisoners (Kushel et al., 2005; La Vigne, Visher & Castro, 2004). Though, the ex-prisoners faces many discriminations while returning home, however, it is pertinent to note that provision of shelter when an inmate is released from prison can greatly reduces many financial pressures, and family members also can secure job opportunities for returning ex-prisoners through the network of friends, employers, and in some instances religious institutions (Visher, Debus-Sherrill & Yahner, 2008). While for those under parole and find employment shortly after their release usually does so through connections of friends and family members with whom they maintained contact during their incarceration (Cobbina, 2009; MallikKane & Visher, 2008; Nelson, Dees & Allen, 1999; Visher & Kachnowski, 2007). Without the help of family and friends, returning ex-inmates are likely to face much more discrimination and spend longer time before securing an employment, if they would find it at all (Nelson et al., 1999).Alternatively, parolees who were employed before their incarceration may be able to re-establish contact with such employers prior to release, and this will improve their chances of finding employment (Visher et al., 2008).

However, it is evident that, majority of the ex-prisoners do not have decent and legitimate employment records, as such only few of them are likely to have advantage of such previous relationships. Thus, one of the best ways for ex-prisoners to find work is through family, community, and former employment contacts. Many ex-inmates are leaving prison without such provisions in the sense that many of their contacts in the community may be criminally inclined and are not in the position to offer some leads in terms of legitimate employment (Hagan, 1993). Equally, their stigmatized backgrounds, deficiencies in education, inappropriate skills, and their lack of pro-social contacts coupled with intentional discrimination (Ostermann, 2011) from the community due to their prison status can affect many ex-prisoners' ability to secure work, which can inhibit both their current and future economic status (Pager, 2003; Western, 2006; Western et al., 2001).

Criminal Record and Racial Discrimination: According to Frank et al. (2014) discrimination on the basis on individual's criminal record may serve as an added obstruction. This is even in the areas of healthcare delivery among the ex-prisoners (Schnittker & John, 2007; Smedley et al., 2003). Criminal record of ex-prisoners has been recognized as a stigmatized social status that can produce an unfair treatment and daily

indignities across a range of societal social settings (Schnittker & John 2007; Uggen & Manza, 2002). Discrimination based on criminal record has been strongly established in the areas of employment, accommodation and other social services not only through self-report from former inmates, but also through the use of many audit studies and other novel experimental designs (Pager & Shepherd, 2008; Pager et al., 2009; Uggen et al., 2004). This is evident and applicable in terms of discrimination even in the areas of healthcare provision for the ex-prisoners. This situation can also give the ex-prisoners a chance to continue with their previous criminal behaviours.

H[1] *There is significant relationship between discrimination of ex-prisoners base on criminal record and criminal recidivism.*

Turney et al. (2013) argued that, the perceived discrimination based on race or racial background has been found to be the most generally and extensively studied form of social discrimination especially in the United States. This has been cited as an imperative factor in explaining racial discrimination and disparities in multiple areas (Williams, 1999; Williams & Mohammed, 2009). Nevertheless, in spite of the high rates of incarceration (Bannon et al., 2010) and recidivism, especially among the minority men, the effect of criminal-record based discrimination, is considered as more or less a distinct type of discrimination (Frank et al., 2014; Pager et al., 2009). However, given the important consequences of racial discrimination, the minority men who have been disproportionately affected by the rise in massive incarceration into the prison may become more vulnerable population. They may experience social discrimination from both their criminal record as well as racial one. Incarceration as such, stands to be unique issue because the racial and social class disproportionality in incarceration rates provides evidence of structural forms of discrimination (Krieger, 2012). On the other hand, it has been contended that, incarceration might have help in explaining racial differences which is more broadly distributed risk factors, such as discrimination (Iguchi, Bell, Ramchand & Fain, 2005; Schnittker & John, 2007).Thus, it is pertinent to note that both criminal record discrimination and racial discrimination function separately but also cumulatively affect the lives of ex-prisoners especially when it comes to the reasons for becoming criminal recidivists (Travis & Stacey, 2010).

H[2] *There is a relationship between racial discrimination of ex-prisoners and criminal recidivism.*

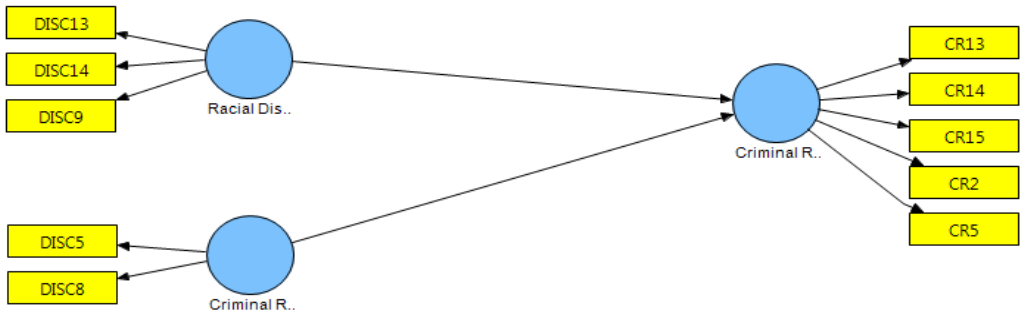
Therefore, base on above explanation it can be deduce that social discrimination started and can be determined when there is social deprivation (Griswold & Pearson, 2005). In the first instance and later extended to discrimination and consequently social exclusion. To this extent therefore, it can be said that social exclusion of ex-prisoners starts from the inception of depriving them (Richards & Jones, 2004) some basic needs of human survival deliberately simply because of their social status or their prison attributes. This is not same to other category of people, so much so that, they would be intentionally discriminated and by implication socially excluded.

Criminal Recidivism: Re- integration of released ex- prisoners who are back into the community poses an important challenges to almost all countries globally (Travis et al., 2001; Farrall and Sparks, 2006; Wartna and Nijssen, 2006). Thus, this process is considered to be critical due to so many reasons: the preservation of public safety and community vitality, controlling the expensive rate of extension of the activities of criminal justice systems and reducing the wide range of collateral costs that may arise in the event of large parts of ex-prisoners are not brought back to the prison institution. Many researches that focused on criminal recidivism concentrated and analysed the concept of criminal recidivism from the point of reconviction and reimprisonment among ex-prisoners as the basis for understanding the phenomenon. That is, majority of the inmates who are imprisoned and later released are most likely to be reconvicted or to be re-imprisoned (Gendreau & Ross, 1979; Beck & Shipley, 1989; Broadhurst & Maller, 1990; Lloyd et al., 1994; Bonta et al., 1996; Gendreau et al., 1996; Kershaw et al., 1999; Langan and Levin, 2002; Cunliffe and Shepherd, 2007).

According to Maltz (2001) recidivism within the context of criminal justice system can be conceptualised as the reversion of an individual offender into the previous criminal behavior after he/ she has been convicted of a prior offense after the individual has been processed, sentenced, and thereby presumed to be corrected. Moreover, it happens as a result of individual's failure to live up to society's expectations. It is a tendency of fall back into previous criminal behavior and portrays re-arrest, re-conviction, and re-incarceration of ex-prisoner for the second or more times and it cannot usually occur where relapse did not occur within a

specific period. It also varies greatly from place to place depending on the amount and quality of intervention, surveillance and enforcement (Schmallenger & Smykla 2005).

Figure1: Research Model



3. Methodology

Sample and Data Collection: The population of this study are the ex-prisoners in Kano metropolis. Four hundred and four (404) questionnaires were distributed initially and 256 (63.4%) were found to be fit for analysis as suggested 30%, and 5 -10 times the number of study variables (Hair, Andersen, & Tatham, 2010; Pallant, 2001) of the data sample is adequate for analysis. The respondents were selected using purposive sampling strategy. The data was obtained using questionnaire instrument. Responses were categorized by using five point "Likert" scale (1Strongly Disagree and 5 strongly Agree). The model of this study was empirically used and tested using Structural Equation Modelling (PLS-SEM) path modelling (Hair, Ringle & Sarstedt, 2011) in analysing the data taking into account both measurement and structural model as suggested by Hair et al. (2010).

Measurement

Racial Discrimination: Racial discrimination is perceived and used as discrimination that the ex-prisoners do face in their community base on racial or ethnic point of view. According to Turney et al., (2013) the perceived discrimination based on race or racial background has been found to be the most generally common among ex-prisoners and is also considered as imperative factor in explaining racial discrimination and disparities in multiple areas (Williams, 1999; Williams & Mohammed, 2009). It is basically base on ethnic or racial disparities by virtue of being an ex-prisoner.

Criminal Record Discrimination: Discrimination base on criminal record of ex-prisoners is very common and it has been recognized as part of the stigmatized social status that can produce an unfair treatment and daily indignities across a range of societal social settings (Schnittker & John 2007; Uggen & Manza 2002). Discrimination based on criminal record has been strongly established in many areas: employment, shelter, education, family, neighbours, peers, healthcare and other social services (Pager & Shepherd 2008; Pager et al., 2009; Uggen et al., 2004). It is basically due to the individual prior criminal records and other criminal activities with less emphasis on his/her racial or ethnic inclination. For both the two constructs eighteen items measurement used by Turney et al. (2013) were adapted and used though only five were found to have the required loadings in PLS.

Criminal Recidivism: Like many other studies on criminal recidivism, the main focus and measurement of criminal recidivism centred on the re-conviction and re-imprisonment of an ex-offender after he/she must have undergone the process of criminal punishment especially prison institution. That is, majority of the former inmates who are imprisoned for one crime or the other and later released are more likely to be re-convicted or re-imprisoned (Gendreau and Ross, 1979; Beck and Shipley, 1989; Broadhurst and Maller, 1990; Lloyd et al., 1994; Bonta et al., 1996; Gendreau et al., 1996; Kershaw et al., 1999; Langan & Levin, 2002;

Cunliffe & Shepherd, 2007) again due to their re-engagement into criminal activities. The measurements used by Stahler et al. (2013), Meade et al. (2012), Listwan et al. (2010) and Harris et al. (2009) were adapted and used.

4. Results and Discussion

Demographic profile of respondents: Majority of the respondents 86.7% are males and 13.3% are females. Those that are single are 85.2%, married 9.4%, divorced 3.9% and separated 1.6%. Majority 42.5% are between 25-29 years with only 7.0% who are 40 and above years. Educationally, majority 52.7% are with no formal education, 16.4% with primary, 25.4% have secondary and 5.5% are having post secondary education. Also, overwhelming majority of the respondents 94.5% and 88.3% are Muslims and Hausa/Fulani. Also, majority 68.0% are not employed.

Goodness of Measures: In this study attempts was made to determine the construct validity, in which two-step modelling approach was used in line. The assessment of the convergent validity and reliability was determine first which was followed by the assessment of discriminant validity and internal consistency reliability as shown in Tables 1 and 2, respectively. This is in line with the rule of thumb, that a construct validity is ascertained when the loadings of the indicators are higher than 0.7, Composite Reliability is greater than 0.7, Average Variance Extracted is greater than 0.5 (Bagozzi et al., 1991; Fornell & Larcker, 1981; Gefen et al., 2000; Hair et al., 1998; Nunnally & Bernstein, 1994).

Figure 2: Algorism of Structural Model

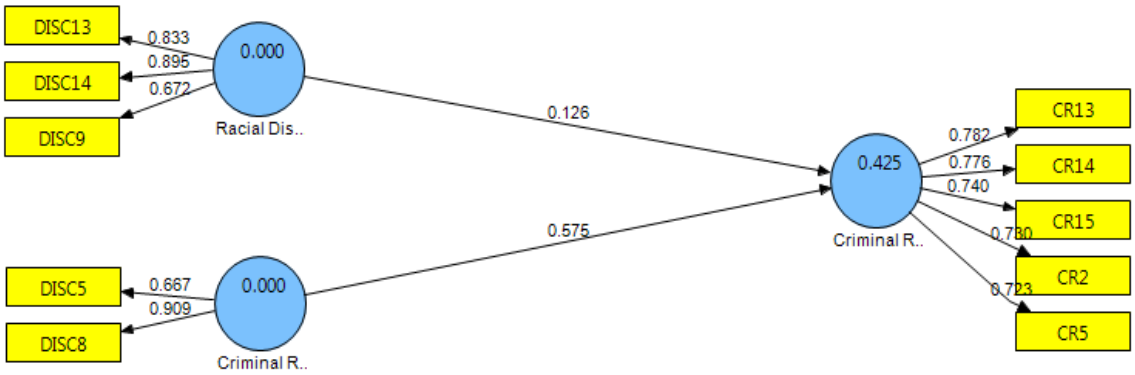


Table 1: Items Loadings, Average Variance Extracted and Composite Reliability

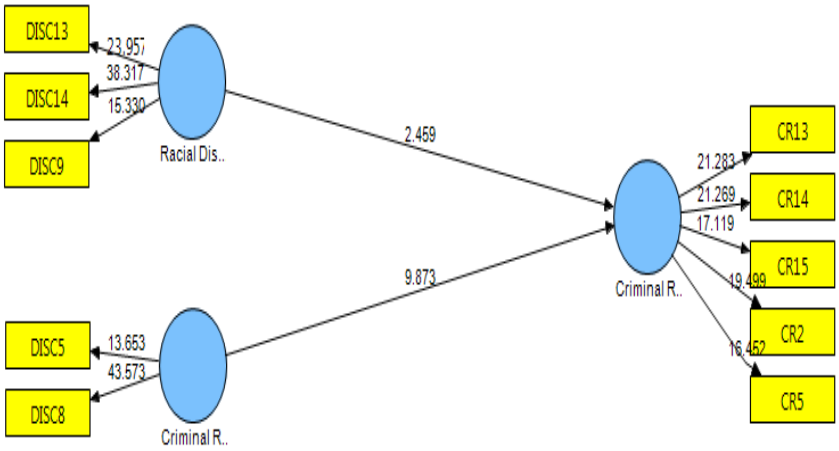
Latent Variables and Items	Loadings	AVE	CR
Criminal Recidivism		0.56	0.87
CR14	0.78		
CR15	0.74		
CR2	0.73		
CR5	0.72		
CR13	0.78		
Criminal Record		0.64	0.77
DISC5	0.67		
DISC8	0.91		
Racial Discrimination		0.65	0.85
DISC13	0.83		
DISC14	0.90		
DISC9	0.67		

For the assessment of the reliability analysis, the paper established discriminant validity by calculating the shared variance between each of the three constructs there by establishing that it was less than the average variance extracted from each individual construct (Bagozzi & Lynn, 1982; Fornell & Larcker, 1981). As indicated in Table 2, the squared correlation for each construct is less than the square root of average variance extracted by the indicators that measure a construct, which indicates adequate discriminant validity. Thus, the measurement model was found to have demonstrated an adequate reliability, convergent and discriminant validities.

Table 2: Discriminant Validity

Latent variables	Criminal Recidivism	Criminal Record	Racial Discrimination
Criminal Recidivism	0.75		
Criminal Record	0.64	0.80	
Racial Discrimination	0.44	0.54	0.81

Figure 3: Bootstrapping of the Structural Model



This study examines social discrimination as a predictor of criminal recidivism among the ex-prisoners in metropolitan Kano-Nigeria. However, the study used two main dimension of social discrimination as the yard stick for measuring the overall discrimination (racial and criminal record discrimination). Thus, the interpretation of hypotheses result is presented in Table 3 below. The hypotheses result shows that, there is significant relationship between criminal record discrimination of the ex-prisoners and criminal recidivism. Path coefficient (β=0.574; *t*= 9.872, p=0.00). This finding is line with Frank et al. (2014) and Schnittker & John (2007). Thus **H¹** is supported. Moreover, racial discrimination of ex-prisoners is also found to have significant relationship with criminal recidivism (β=0.126; *t= 2.459,* p=0.01). Hence, **H²** is also supported and also in line with Turney et al. (2013).

Table 3: Model Hypotheses

Hypotheses	Beta	S.E	T-value	P-Value	Decision
Criminal Record -> Criminal Recidivism	0.57	0.06	9.87	0.00	Accepted
Racial Discrimination -> Criminal Recidivism	0.13	0.05	2.46	0.01	Accepted

For the effect size of the constructs used in the study, it is revealed that discrimination base on previous criminal record is having more effect on the criminal recidivism among the ex-prisoners in Kano. This is because the effect size shows that criminal record is having 0.4035 and is considered large, while racial discrimination is having 0.0191 which is no effect (Chin, 1998; Cohen, 1988) as shown in Table 4. Whereas,

the model is found to have predictive relevance in the sense that it is having 0.2248 this is in line with the suggestion of Geisser (1974) and Stone (1974) who suggested that any model with predictive relevance of more than 0 has a predictive relevance as shown in Table 5.

Table 4: Effect Size f^2

R-squared	Included	Excluded	f-squared	Effect size
Racial Discrimination	0.43	0.41	0.02	None
Criminal Record	0.43	0.19	0.40	Large

Table 5: Predictive Relevance Q^2

Total	SSO	SSE	1-SSE/SSO
Criminal Recidivism	1280	992.2889	0.2248

5. Conclusion, Discussion and Theoretical Contribution

This study examines social discrimination of ex-prisoners as a predictor of criminal recidivism in metropolitan Kano using two dimensions of social discrimination as a yard stick for measuring the discrimination. The study findings show that social discrimination that the ex-prisoners are facing when returning back from prison is found to have significant effects towards criminal recidivism among the ex-prisoners. However, despite the fact that, all the two dimension of social discrimination are significant, it is worthy to note that racial discrimination is having a relatively lower effect whereas discrimination base on previous criminal records was found to have higher effects for criminal recidivism. This therefore, indicates that, discrimination base on criminal records can have more effect and influences the continuation of the criminal behaviour after incarceration. Also, the findings of this study is in line with other previous studies, racial discrimination (Williams, 1999; Williams & Mohammed, 2009); Turney et al. (2013) as well as discrimination base on previous criminal records (Schnittker & John, 2007; Uggen & Manza, 2002). Equally, the above finding is supported by that of Western (2006) who established that, those ex-prisoners are discriminated in many respects. Their findings revealed what they called 'collateral consequences' of discrimination or bans on former inmates which subsequently leads to reoffending. Moreover, the findings of this study is consistent with the argument of Western (2006) who concluded that, when offender is discriminated for instance in terms of getting employment that can be considered as compelling evidence that exist as a collateral consequences which can prompt increase in reoffending (Holzer et al., 2002a).

Theoretically, this study contributes to the existing body of knowledge about the predictor of criminal recidivism. Specifically, the study established that, discrimination that occurred as a result of the individual criminal record is more prone to criminal recidivism. In other words, though, ex-prisoners do faces some level of discrimination after their release from the custody as established by many studies. But, the discrimination they face which is linked to their previous records is evidently making them to become criminal recidivists. Therefore, it can be deduced that, the paint of discrimination among the ex-prisoners in relation to their re-offending lies on them being discriminated by virtue of their criminal status as ex-prisoners.

Limitation and Direction for future: Researches all over cannot be concluded without some lingering limitation. This study has some few limitations: one of the limitations of this study is that, it only focused on the ex-prisoners alone, that is, only the ex-inmates where targeted and data was sought from them only. Thus, it appeared to be one sided as such other studies should include members of the society as part of the respondents so that balance information could be attained with the regards to social discrimination vis-a-vis criminal recidivism. Another limitation of the study also is that no policy maker has been contacted to get input from their side on the effects and why social discrimination of ex-prisoners is more or less institutionalized. Thus future studies can explore such limitations and build on them.

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