

THE ROLE OF LOCAL REVENUE (PAD) REALIZATION IN CENTRAL JAVA'S ECONOMIC GROWTH BETWEEN 2010 AND 2022

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ABSTRACT

Economic growth is increasing per capita output over the long term. By researching the subject of Central Java, several sectors that serve as the main drivers of economic growth and their contributions to regional income can be identified. In this study, a quantitative method is employed to ascertain the influence of local revenue, general allocation funds, special allocation funds, and capital expenditure funds on Central Java's economic growth from 2010 to 2022. The data utilized for this study consists of secondary data in the form of time series data spanning from 2010 to 2022. In this research, the significant variable is the local revenue (PAD) variable. This condition aligns with the hypothesis asserting a positive correlation between economic growth and local revenue. The study uncovers a challenge wherein disparities between theory and real-world observations exist. There are limited academic articles addressing this phenomenon due to its non-universal occurrence, as each region experiences varying influences caused by fluctuations in economic growth rates. Consequently, this study bears substantial influence and utility for academia and society, motivating its undertaking. Reassessing interregional financial equalization for funding needs within the decentralization framework is imperative to achieve equitable objectives. This result can be realized through investments in development, procurement, enhancement, and the upkeep of physical infrastructure. In every district within the province of Central Java, continuous efforts are made to optimize local revenue, leveraging the region's capabilities, thereby fostering heightened economic growth across all districts.

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1. INTRODUCTION

Economic growth signifies the extent to which economic activities yield additional income for society within a given period. This essence arises from the understanding that economic activities fundamentally constitute a process to generate output quantified by the GDP indicator. The definition of economic growth entails a long-term increase in per capita output. This definition underscores three vital aspects: firstly, economic growth is a process, not a snapshot of the economy at a particular moment. This further elucidates the dynamic aspect inherent within an economy, signifying its ongoing development or transformation over time. Secondly, economic growth is closely linked to the augmentation of per capita output. Here, two facets require attention: total output (GDP) and population size. Third, economic growth is also understood as investigating specific factors contributing to medium- and long-term output expansion.

Java, one of Indonesia's largest islands, is home to a population of 145,013,573 individuals, with a density of 128.297 km², spread across several provinces (BPS, 2020). Java island has existed for a significant period and possesses a unique characteristic—a relatively stable economic condition. However, it is regrettable that economic growth lags behind the national level. This phenomenon is due to the predominance of resources and capital controlled by the central government. Central Java is a province that significantly contributes to Indonesia's national Gross Domestic Product (GDP). The rapid and stable economic growth in Central Java can directly impact increased regional revenue. By researching the subject of Central Java, one can identify several sectors that serve as primary drivers of economic growth and their contributions to regional income. The data and analysis from this study can play a role in decision-making concerning regional fund allocation and developing potential sectors capable of enhancing regional income. The impact of regional funds on economic growth in Central Java can vary, contingent upon allocation, efficiency, and the effectiveness of fund utilization.

Economic growth within a region is a pivotal indicator for evaluating its developmental success. This indicator also finds application within the province of Central Java. Hence, examining the factors influencing economic growth within this province is crucial. The study at hand will explore variables such as Local Revenue (PAD), General Allocation Fund (DAU), Special Allocation Fund (DAK), and Expenditure Fund. Local governments play a critical role in stimulating regional economic growth through prudent management of regional funds and precise capital expenditure allocation. Regional funds and capital expenditure roles in economic growth have garnered attention from researchers and policymakers alike. Previous studies have indicated that local government spending, particularly in the realm of capital expenditure, can generate positive impacts on economic growth. This expenditure is believed to stimulate private investment, create job opportunities, and elevate the economic productivity of a given region.

This situation will lead to increased economic growth. Regional original income serves as the backbone of regional financing. The capability of a region to generate regional original income profoundly influences its development. Its contribution to the APBD (Regional Budget) underscores that the more substantial the contribution of regional original income to the APBD, the lesser the reliance on central government assistance. Success in augmenting regional original income should not solely be quantified by the amount received. However, it should also be gauged by its role in regulating and enhancing the economy and addressing development needs within community services. This case, in turn, elevates community and investor productivity, further enhancing community welfare and economic growth in the region (Marhamah, 2016). However, Ni Wayan Ratna Dewi's (2017) research indicates a negative and significant correlation between regional original income and special allocation funds on economic growth.

The general allocation fund can also influence regional economic growth besides regional original income. The impact of general allocation funds on economic growth, as revealed by the research of Meilita Lukitasari Anwar (2016), demonstrates that partial effects of general allocation funds significantly affect Economic Growth (GRDP), and simultaneous effects of general allocation funds also impact Economic Growth (GDP). However, Ni Wayan Ratna Dewi I and Dewa Gede Dharma Suputra (2017) contend that the general allocation fund does not affect economic growth. The third variable, the special allocation fund, operates within the mechanism of conditional transfer funds, wherein the central government plays a role in determining the utilization of these funds to fulfill basic services and activities that are regional in nature, thereby contributing to national priorities. However, according to Ni Wayan Ratna Dewi I and Dewa Gede Dharma Suputra (2017), special allocation funds negatively and significantly affect economic growth.

Given the focus on infrastructure development in Indonesia, the government is committed to expediting the provision of both quantity and quality in infrastructure (Setiawan, 2005). Within the APBD structure, funds allocated for infrastructure development are budgeted within the capital expenditure group. The capital expenditure budgeting process is distinct, involving executive negotiations and relying heavily on input and recommendations from planners. Furthermore, local governments must consider long-term financial planning, particularly for maintaining fixed assets resulting from these capital expenditures (Abdullah S. D., 2006). The final variable is the Capital Expenditure Fund. Halim A. (2004) states that capital expenditures bring benefits that extend beyond a single fiscal year, contributing to regional assets and wealth while necessitating routine expenditures like maintenance costs. This category encompasses expenditures for acquiring assets and other resources providing benefits beyond one accounting period. Capital expenditure includes land expenditure, equipment and machinery expenses, building and construction expenditures, expenses for roads, irrigation and networks, expenditures for other fixed assets, and spending on other assets (Abdullah S. d., 2006).

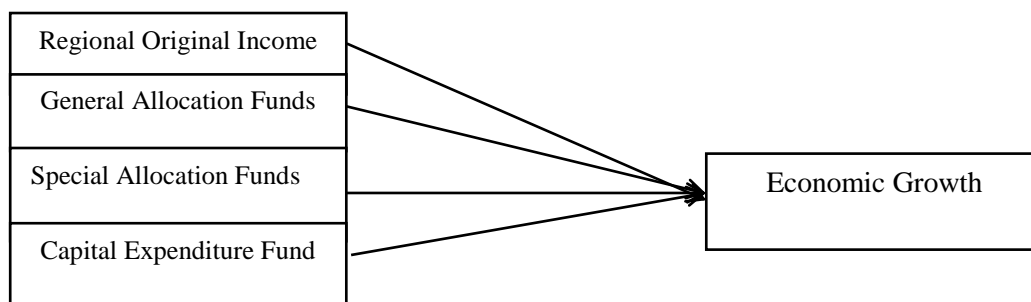
Simultaneously, Marhamah E. S. (2016) explored the effects of regional original income, General Allocation Fund, and Special Allocation Fund on Regional Economic Growth, with Capital Expenditure as a moderating variable. Their empirical study conducted across 29 districts and 9 cities in East Java revealed that regional original income and special allocation funds positively and significantly impact Regional Economic Growth (GRDP) in East Java's Regencies/Cities. In contrast, the general allocation fund negatively and significantly impacts District/City Regional Economic Growth (PDRB) in East Java. However, another study by Sumual (2016) yielded different results, indicating that the General Allocation Fund partially influences Economic Growth (GRDP), while the Special Allocation Fund and Regional Original Income have no significant effects on Economic Growth (GRDP). Similarly, the General Allocation Fund's effects differed. The above findings make this study crucial as a bridge in existing research. It aims to analyze the partial and simultaneous effects of regional original income, general allocation funds, special allocation funds, and capital expenditure funds on economic growth. The focal point of this study

is the Central Java Province from 2010 to 2022. As such, this research is titled "The Influence of Local Own Revenue, General Allocation Funds, Special Allocation Funds, and Capital Expenditure Funds on Economic Growth in Central Java in 2010-2022." This study endeavors to ascertain the presence of a significant and simultaneous influence of regional original income, general allocation funds, special allocation funds, and capital expenditures on economic growth in Central Java during the period 2010-2022.

Literature Review

1. Economic Growth
Economic growth, as defined by Sukirno (2003), pertains to the advancement of economic activities that lead to an increase in the production of goods and services within a society, subsequently elevating the overall prosperity of the society. It is a broad concept that depicts a country's growth rate, often evidenced by an upsurge in real national income (Rori, 2016).
2. Regional Original Income (PAD)
Regional original income encompasses income generated within a specific region and accrued by the local government (Warsito, 2011). According to Harianto (2007), regional original income is a vital source of regional expenditure. When regional original income experiences growth, the fiscal resources under the purview of the regional government augment, consequently enhancing the region's level of self-reliance. This dynamic encourages the regional government to explore local potential and bolster economic growth proactively.
3. General Allocation Funds (DAU)
General allocation funds, constituting government transfer funds not earmarked for specific expenditure programs, wield influence on economic growth (Ratna Dewi, 2017). The implementation of general allocation funds plays a pivotal role: the greater their implementation, the more pronounced the economic growth becomes. Conversely, decreasing general allocation funds leads to a commensurate decrease in economic growth (AR, 2016).
4. Special Allocation Fund (DAK)
Originating from national revenue (APBN), the special allocation fund is directed towards specific regions to fund unique activities under regional jurisdiction. The positive correlation between the amount of special allocation funds received by each region and economic growth is highlighted (Wiksuana, 2018). As the special allocation fund increases, economic growth is further catalyzed. It is attributed to the fund's nature as a governmental investment, generating a conducive environment for economic expansion (Suandi, 2016).
5. Capital Expenditure
Capital expenditure positively influences economic growth due to its ability to channel resources into facilities that bolster regional investment (Winarni, 2020). Enhancing infrastructure within an area can sustain and even amplify economic growth. This improvement stems from capital expenditure to acquire assets and facilitate development, thereby fostering a conducive environment for heightened economic growth (Arini Sita, 2017).

Conceptual Framework



2. METHODS

Research Design

For this study, an associative quantitative research design was employed. As defined by Sugiyono (2020), Associative research seeks to describe and test hypotheses concerning relationships between two or more variables. In the context of this study, the associative method was adopted to investigate the

impact of regional original income, general allocation funds, special allocation funds, and capital expenditure funds on the economic growth of Central Java from 2010 to 2022.

The quantitative approach aligns with the philosophy of positivism, aiming to scrutinize populations or samples, gather data using research instruments, analyze quantitative or statistical data, and test established hypotheses. This research falls within the domain of quantitative research, utilizing survey methods. According to Kerlinger (Sugiyono, 2020), survey research involves studying large and small populations and utilizing samples extracted from these populations to uncover relative events, distributions, and relationships between sociological and psychological variables.

Research Variables

According to Widiaworo (2018), variables represent attributes of individuals or objects that exhibit "variations" among them. This study encompasses four independent variables and one dependent variable under scrutiny: Local Own Revenue (X₁), General Allocation Fund (X₂), Special Allocation Fund (X₃), Capital Expenditure Fund (X₄), and Economic Growth (Y).

1. Independent Variables (Free)

The independent variables exert influence or cause changes in the dependent variable. Within this study, the independent variables include Local Own Revenue (X₁), General Allocation Fund (X₂), Special Allocation Fund (X₃), and Capital Expenditure Fund (X₄).

2. Dependent Variable (Bound)

As Sugiyono (2020) articulated, the dependent variable, often referred to as the bound variable, is influenced by or results from the independent variables. In the context of this study, the dependent variable is Economic Growth (Y).

Table of Variable Operational

No	Variable	Definition	Measurement
1	Regional Original Income (X ₁)	Regional original income is a source of original regional revenue excavated in the area to be used as the basic capital of the regional government in financing development and regional efforts to restore dependence on funds from the central government.	$PAD = HPD + RD + PLPD + LPS$
2	General Allocation Funds (X ₂)	Law no. 33 of 2004 explains that the general allocation fund originates from the Regional Revenue and Expenditure Budget revenue allocated for equal distribution of financial capacity among regions to fund regional activities in the context of implementing decentralization.	<i>General Allocation Funds</i> = <i>fiscal gap</i> + <i>basic allocation</i>
3	Special Allocation Funds (X ₃)	Based on Law no. 33 of 2004 concerning Financial Balance and Regions explains that the Special Allocation Fund is a fund originating from the APBN, which is allocated to regions to help finance certain needs.	<i>Special Allocation Funds</i> = (APBD Revenue - <i>Regional Employee Expenditures</i>)
4	Capital Expenditure Fund (X ₄)	In this study, the authors use the definition of Capital Expenditures according to Government Regulation No. 71 of 2010, namely capital expenditures are regional government expenditures whose value exceeds 1 fiscal year and will add regional assets or wealth and will then add routine expenditures such as maintenance costs to the general expenditure group.	<i>Capital Expenditures</i> = <i>Land Purchase + Shopping for Equipment & Machinery</i> + <i>Shopping for Buildings & Buildings</i> + <i>Shopping for Roads, Irrigation & Networks</i> + <i>Shopping for Other Assets</i>

5 Economic Growth (Y)	Economic growth is an indicator determining the progress of a country's economy as measured by the actual increase in goods and services produced, which is reflected in GNP or real GDP between the year calculated and the base year and many factors, including sources natural resources, human resources, capital, and technology determine this economic growth.	$r_{(t-1)} = \frac{PDRB_t - PDRB_{(t-1)}}{PDRB_{(t-1)}} \times 100\%$
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Type of Data

The type of data chosen by the author for conducting this research is secondary data. The data were obtained from the website of the Central Statistics Agency (BPS) of Central Java Province and through literature related to this issue from both print and electronic media. Time series data is a collection of data from a specific phenomenon captured at certain time intervals, such as weekly, monthly, or yearly. In the research above, time series data is utilized.

Data Collection Technique

Data collection for this study is conducted using the library study method. The data collected is intended to provide an overview and theoretical foundation for formulating problems and analyzing research data or information to describe or explain the issues under investigation. The author obtained secondary data in the form of reports from the Central Statistics Agency (BPS) of Central Java Province or other websites and through literature.

Population and Sample

The Population of this study comprises the districts/cities throughout Central Java Province that have been documented in the statistical reports of the Central Statistics Agency (BPS) for Central Java Province. The sample represents a subset of the Population possessing specific characteristics or conditions to be examined. The sample was drawn from the districts/cities throughout Central Java Province during 2010-2022 using the purposive sampling technique for this study. Purposive sampling is a sampling method guided by specific considerations.

Time and Location of Research

This research was conducted on the Central Statistics Agency (BPS) website for Central Java Province, spanning from March to August 2023. The research locations encompassed the Central Statistics Agency (BPS) website and the Ministry of Finance website for Central Java Province.

Data Analysis

Data analysis is the subsequent stage following data collection from respondents and other sources. The data is then processed into information, making it comprehensible and leading to conclusions. Data analysis techniques will be employed with the assistance of the E-views computer program.

4. RESULT AND DISCUSSION

Analysis of Regression Results

The purpose of this regression is to find out the original regional income (X1), general allocation funds (X2), special allocation funds (X3) and capital expenditure (X4) on economic growth (Y). This study uses a partial adjustment model (Or PAM). The analytical method used is multiple linear regression using the Partial Adjustment Model (PAM). As is well known, the PAM model includes an element of inertia (Lag). From the regression results, we can write the short-term function equation as follows:

$$Y_t = -41,277 + 8,672 \log X1_t - 3,630 \log X2_t - 2,720 \log X3_t - 0,002 X4_t + 1,058 \log Y_{t-1}$$

The adjustment coefficient is $\delta = 1 - 1.058 = 0.058$, which means that there is a difference of 0.058 between the desired economic growth and that which occurs with adjustments in the annual period. To find the long-term, you can divide the short-term results by $\delta = 0.058$. The result is as follows:

Table 1 Short-Term and Long-Term Results

Variable	Short Term	Long Term
β_0	-41,277	711,551
$X1_t$	8,672	-149,483
$X2_t$	-3,630	62,586
$X3_t$	-2,720	46,896
$X4_t$	-0,002	0,034

Table 2 Short-Term PAM Regression Results

Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-41.27732	20.25566	-2.037816	0.0877
LOG(PAD)	8.671835	2.666201	3.252506	0.0174
LOG(DAU)	-3.630827	1.136572	-3.194541	0.0187
LOG(DAK)	-2.720765	1.128038	-2.411944	0.0524
BM	-0.002023	0.000578	-3.500167	0.0128
PE(-1)	1.058155	0.333960	3.168511	0.0194
R-squared	0.736765	Mean dependent var		4.904167
Adjusted R-squared	0.517402	SD dependent var		0.909970
SE of regression	0.632149	Akaike info criterion		2.227470
Sum squared resid	2.397676	Schwarz criterion		2.469924
Log-likelihood	-7.364822	Hannan-Quinn criter.		2.137705
F-statistic	3.358660	Durbin-Watson stat		2.573511
Prob(F-statistic)	0.086195			

Model Goodness Test

Testing R²

The R² value, or the coefficient of determination, is employed to gauge the extent to which variations in the independent variables (PAD, DAU, DAK, and BM) account for variations in the dependent variable Y (Economic Growth). From the analysis in Table 2, the R² value stands at 0.7367 or 73.7%. It implies that fluctuations in local revenue, general allocation funds, special allocation funds, and capital expenditures can elucidate 73.7% of the variance in the economic growth variable. The remaining 26.3% is attributed to other factors beyond the model's scope.

Statistical Testing F

The F statistic test assesses whether the group of independent variables, taken together, significantly affects the dependent variable. Suppose the probability at a certain confidence level is less than the level itself (e.g., < 10%), it indicates that the joint impact of the independent variables on the dependent variable is substantial. Conversely, suppose the probability exceeds the level (e.g., > 10%). In that case, it signifies that the independent variables collectively do not significantly impact the dependent variable. The calculated probability value of F in Table 2 is 0.08. With a confidence level of $\alpha=10\%$ (0.10), we can conclude that the variables—local revenue, general allocation funds, special allocation funds, and capital expenditure—jointly significantly influence economic growth.

Statistical Testing t

The t-test entails individually evaluating each independent variable's impact on the dependent variable. This procedure determines whether each independent variable has a distinct influence on the dependent variable. The test compares probabilities at specific confidence levels.

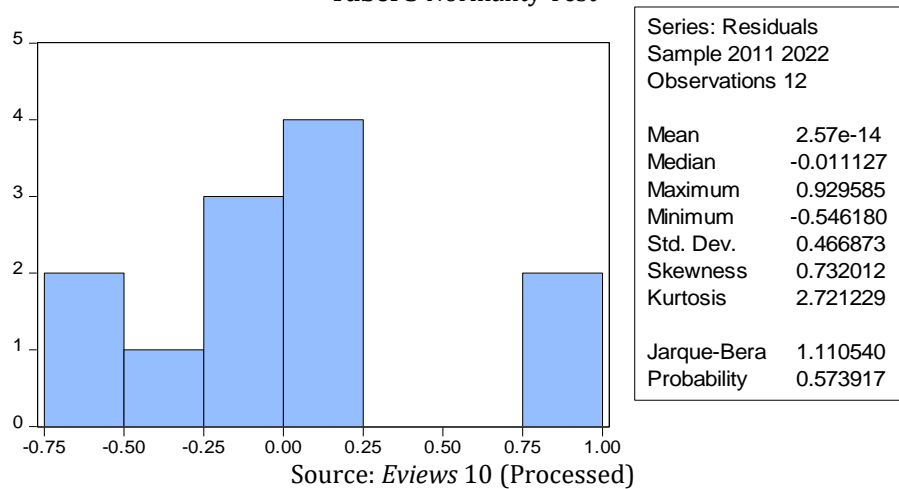
a. The t-test on the Local Original Income Variable

Following the data in Table 2, the Prob t value is 0.0174. At a 5% confidence level, the outcome indicates the rejection of the null hypothesis (H₀). Therefore, it can be inferred that the regional original income (PAD) variable, considered individually, does not affect economic growth.

- b. T-test on General Allocation Fund Variable
 From the data in Table 2, the Prob t value is 0.0187. At a 5% confidence level, the result leads to rejecting the null hypothesis (H₀). This result suggests that the individual analysis of the General Allocation Fund (DAU) variable does not impact economic growth.
- c. The t-test of the Special Allocation Fund Variable
 The Prob t value presented in Table 2 is 0.0524. Applying a 5% confidence level, the conclusion drawn is the acceptance of the null hypothesis (H₀). This result implies that the Special Allocation Fund variable, in isolation, does influence economic growth.
- d. T-test on the Capital Expenditure Variable
 Based on the data in Table 2, the Prob t value is 0.0128. At a 5% confidence level, the result indicates the rejection of the null hypothesis (H₀). Thus, it can be deduced that the capital expenditure variable, examined individually, does not impact economic growth.

Classical Assumption Testing
Normality Test

Table 3 Normality Test



The normality test is a test that is carried out to assess the distribution of data in a group of data or variables and know whether the distribution of the data is normally distributed or not. Table 3 shows that the Jarque-Bera value is 1.1105 with a probability of 0.5739. By using α 10%, it is known that Prob.JB> α . It can be concluded that in Table 3, the residuals are normally distributed.

Multicollinearity Test

Table 4 Multicollinearity Test

Variance Inflation Factors			
Date: 08/13/23 Time: 13:50			
Sample: 2010 2022			
Included observations: 12			
Variable	Coefficient Variance	Uncentered VIF	Centered VIF
C	410.2919	12320.69	NA
LOG(PAD)	7.108627	56017.62	23.21977
LOG(DAU)	1.291797	8421.044	5.152447
LOG(DAK)	1.272470	9341.503	3.985880
BM	3.34E-07	35.85247	6.011220
PE(-1)	0.111529	84.61057	2.714543

Source: Eviews 10 (Processed)

The multicollinearity test aims to determine whether, in a regression model, a high or perfect correlation is found between the independent variables (Ghozali, 2016). This test looks at the VIF value or variance inflation factor. Table 4 shows that the PAD variable has a VIF value (23.21) > 10, so the PAD variable is stated to have multicollinearity. In other independent variables, such as DAU, which has a VIF value (of 5.15) <10, and DAK, which has a VIF value (of 3.98) <10. And BM, which has a VIF value (of 6.01)

<10, is stated that the three variables like DAK, DAU, and BM are declared to have no multicollinearity. The PE(-1) variable also has a VIF value (2.71) <10, which means that there is no multicollinearity

Heteroscedasticity Test

Heteroscedasticity arises when the errors or residuals of the observed model do not have constant variations from one observation to another. One method that can be used to determine whether there is heteroscedasticity is White's method. To test whether there is an autocorrelation problem, you can use the Breusch-Godfrey method (LM test). This test detects whether there is a serial correlation (autocorrelation) or not in the time series data.

Table 5 Results of the Heteroscedasticity Test with the White No Cross Terms Method

Heteroskedasticity Test: White				
F-statistic	1.369934		Prob. F(5,6)	0.3525
Obs*R-squared	6.396742		Prob. Chi-Square(5)	0.2695
Scaled explained SS	1.376282		Prob. Chi-Square(5)	0.9269
Test Equation:				
Dependent Variable: RESID^2				
Method: Least Squares				
Date: 08/13/23 Time: 14:28				
Sample: 2011 2022				
Included observations: 12				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	-3.101119	3.435343	-0.902710	0.4015
LOG(PAD)^2	-0.005471	0.027533	-0.198702	0.8491
LOG(DAU)^2	0.018059	0.014277	1.264927	0.2528
LOG(DAK)^2	0.003724	0.013890	0.268074	0.7976
BM^2	1.44E-08	5.08E-08	0.283050	0.7867
PE(-1)^2	-0.005756	0.015604	-0.368855	0.7249
R-squared	0.533062		Mean dependent var	0.199806
Adjusted R-squared	0.143947		SD dependent var	0.273793
SE of regression	0.253322		Akaike info criterion	0.398543
Sum squared resid	0.385033		Schwarz criterion	0.640997
Log-likelihood	3.608739		Hannan-Quinn criter.	0.308779
F-statistic	1.369934		Durbin-Watson stat	2.306614
Prob(F-statistic)	0.352455			

Source: Eviews 10 (Processed)

Based on the results of the heteroscedasticity test using the white method, it can be seen in Table 5 that the Chi-square probability is 0.2695 > α (10%). It can be concluded that there is no heteroscedasticity

Autocorrelation test

Table 6 LM test

Breusch-Godfrey Serial Correlation LM Test:				
F-statistic	21.24922		Prob. F(2,4)	0.0074
Obs*R-squared	10.96771		Prob. Chi-Square(2)	0.0042
Test Equation:				
Dependent Variable: RESID				
Method: Least Squares				
Date: 08/13/23 Time: 14:54				
Sample: 2011 2022				
Included observations: 12				
Presample missing value lagged residuals set to zero.				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	27.75886	8.651294	3.208637	0.0326
LOG(PAD)	-2.772316	1.157619	-2.394843	0.0748
LOG(DAU)	0.454518	0.457771	0.992893	0.3770

LOG(DAK)	0.646183	0.454712	1.421084	0.2283
BM	0.000754	0.000271	2.783370	0.0496
PE(-1)	-0.214849	0.125864	-1.706994	0.1630
RESID(-1)	-1.432113	0.262527	-5.455115	0.0055
RESID(-2)	-0.945666	0.224145	-4.218999	0.0135
R-squared	0.913976	Mean dependent var	2.57E-14	
Adjusted R-squared	0.763433	SD dependent var	0.466873	
SE of regression	0.227079	Akaike info criterion	0.107679	
Sum squared resid	0.206259	Schwarz criterion	0.430950	
Log-likelihood	7.353925	Hannan-Quinn criter.	-0.012007	
F-statistic	6.071206	Durbin-Watson stat	3.391888	
Prob(F-statistic)	0.050321			

Autocorrelation is a problem of correlation of interference variables with other interference variables. To test whether there is an autocorrelation problem, the Breusch-Godfrey method (LM test) can be used. This method is carried out by carrying out residual regression with independent variables. From these results, it can be seen that the probability of X^2 is 0.0042. Using $\alpha=10\%$ means that the probability of $X^2 < \alpha$, which means there is no autocorrelation in the regression model.

Result Interpretations

The analysis explores the potential impact of research variables suspected of influencing economic growth using data spanning the past 12 years, specifically from 2010 to 2022. These variables include regional original income, general allocation funds, special allocation funds, and capital expenditures. The influence of these variables can be elaborated upon as follows: Through the estimation of the Partial Adjustment Model (PAM) dynamic model on economic growth, an R^2 value of 0.7367 or 73.7% is derived. It signifies that local revenue, general allocation funds, special allocation funds, and capital expenditures can account for 73.7% of the variation in the economic growth variable. The remaining 26.3% is attributed to other factors outside the model.

This study's pivotal variable is regional original income (PAD). It aligns with the hypothesis suggesting a positive correlation between economic growth and local revenue. Consequently, this hypothesis is substantiated. PAD determines the region's capacity to execute governmental activities and regional developmental initiatives. The findings underscore that local own-source revenue (PAD) is a vital income source contributing to a region's economic growth. Additionally, this regional original income also serves as an indicator of a region's level of autonomy. Examining other processed research outcomes reveals that the general allocation fund (DAU) assumes significance as an income source for a region to meet its financial commitments. As posited by (Vidi, 2007), general allocation funds emanate from the national budget (APBN). They are allocated to promote inter-regional financial equity. However, the study's results demonstrate a negative effect of the general allocation of funds on economic growth. This disparity indicates that the hypothesis within the study remains unverified. Consequently, it becomes essential for local governments to optimize the utilization of DAU from the central government, particularly towards bolstering the real sector to stimulate economic growth within Central Java Province.

Special Allocation Fund (DAK), sourced from the national budget (APBN) and designated for financing region-specific activities and national priorities, also requires attention. Notably, research (Situngkir, 2009) highlights special allocation funds' positive and significant influence on capital expenditure budgets. However, the study's findings diverge, indicating a lack of effect on economic growth. This discrepancy highlights an unmet hypothesis. It implies that the utilization of DAK has not been optimally directed towards investment activities encompassing development, procurement, enhancement, and maintenance of long-lasting infrastructure. Capital expenditure, an integral aspect of government spending embedded in the national or regional budgets, is intended for the public good. Research (Arini S, 2016) underscores the potential influence of capital expenditure on economic growth. Yet, the hypothesis testing outcomes reveal a contrary result - capital expenditure negatively affects economic growth in Central Java. This divergence can be attributed to the temporal nature of capital expenditure's impact. The process necessitates time, spanning budgeting, implementation, and eventual utilization. This delay consequently limits the direct influence of capital expenditure on immediate economic growth. Its eventual contribution to economic improvement hinges on the community's utilization of improved infrastructure.

The Role of Local Revenue (PAD) Realization in Central Java's Economic Growth between 2010 and 2022. Intan Istikharoh, et.al

Coefficient Interpretation

The coefficient interpretation provides valuable insights into the relationship between the research variables and economic growth. These interpretations help us understand the short-term and long-term impacts of changes in each variable on economic growth:

- a. Local Revenue (PAD):
 - Short Term: A 1% increase in local original income (PAD) leads to an 8.672% increase in economic growth, and vice versa.
 - Long Term: A 1% increase in local original income (PAD) results in a significant decrease of 149.48% in economic growth over the long term. This long-term impact is attributed to the limited role of regional companies as a source of income due to high centralization in taxation. Most productive taxes are centralized, leading to reduced regional economic impact.
- b. General Allocation Fund (DAU):
 - Short Term: A 1% increase in allocated funds (DAU) leads to a substantial 3,630% decrease in economic growth, and vice versa.
 - Long Term: In the long term, changes in the ability of the General Allocation Fund (DAU) have a significant impact. A 1% increase in DAU contributes to a remarkable 62,586% increase in economic growth. This discrepancy is due to uncertainty in financial management caused by overly optimistic state revenue plans in the national budget (APBN), leading to a mismatch between planned revenues and actual realization.
- c. Special Allocation Fund (DAK):
 - Short Term: A 1% increase in special allocation funds (DAK) results in a 2,720 billion rupiah decrease in economic growth, and vice versa.
 - Long Term: Changes in the ability of special allocation funds (DAK) have a positive long-term effect. A 1% increase in DAK leads to a substantial 46,896 billion rupiah increase in economic growth. The allocation of DAK according to the state revenue and expenditure budget (APBN) successfully reduces disparities in public services between regions. It enhances the local government's responsibility in resource mobilization.
- d. Capital Expenditure (BM):
 - Short Term: A 1% increase in capital expenditure (BM) results in a small decrease of 0.002 billion rupiahs in economic growth, and vice versa.
 - Long Term: The long-term impact of changes in capital expenditure (BM) is positive. A 1% increase leads to a modest 0.034 billion rupiah increase in economic growth. The increase in capital expenditure is due to year-end expenditure withdrawals, which redirect the unutilized budget back to the state treasury. However, some perceive this withdrawal as indicative of waste.

These coefficient interpretations unveil the intricate relationship between each variable and short and long-term economic growth. The impacts are influenced by centralization, revenue planning, financial management, and resource allocation, all of which significantly shape the economic landscape.

4. CONCLUSION

Simultaneously, the three independent variables, PAD, DAU, DAK, and BM, affect the economic growth variable. The magnitude of the total influence of the four independent variables is shown by the coefficient of determination, which is equal to 0.7367. This value indicates that the total variation in the influence of all independent variables on economic growth is 73.7%. In comparison, the remaining 26.3% is explained by other variables outside the model. Partially, PAD positively affects economic growth, indicated by a coefficient value of 8.671. Increasing one PAD unit will increase economic growth by 8.67%. Partially, DAU harms economic growth, as indicated by the regression coefficient value of -3.63. Increasing one DAU unit will reduce economic growth by 3.63%. Partially, DAK hurts economic growth, as indicated by the regression coefficient value of -2.72. It means that every increase of one DAK unit will reduce economic growth by 2.72%. Partially, BM hurts economic growth, as indicated by the regression coefficient value of -0.002. It means that every increase of one BM unit will reduce economic growth by 0.002%. In this study, a problem was identified. There are differences between theory and facts in the field, and few journals are still discussing this issue because this phenomenon does not occur in all regions. Each region has different effects caused by increasing or decreasing levels of economic growth. This research title also holds substantial influence and benefits for academics and the community

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engaging in this research. The distinction between this research and previous studies lies in the study's location and the year under examination. Each location possesses unique characteristics not present in prior research, and the urgency level varies yearly due to fluctuations in Central Java's economy. Furthermore, previous studies contained limitations in their results, leaving a gap that this research aims to address. This research also diverges in terms of variables, using economic growth as the dependent variable, thereby yielding outcomes distinct from prior studies.

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